



AGENDA

RETIREMENT BOARD MEETING

REGULAR MEETING
December 12, 2018
9:00 a.m.

Retirement Board Conference Room
The Willows Office Park
1355 Willow Way, Suite 221
Concord, California

THE RETIREMENT BOARD MAY DISCUSS AND TAKE ACTION ON THE FOLLOWING:

1. Pledge of Allegiance.
2. Recognition of Wrally Dutkiewicz for 5 years of service and Rhonda Jones for 10 years of service.
3. Accept comments from the public.
4. Approve minutes from the November 7, 2018 meeting.
5. Routine items for December 12, 2018.
 - a. Approve certifications of membership.
 - b. Approve service and disability allowances.
 - c. Accept disability applications and authorize subpoenas as required.
 - d. Approve death benefits.
 - e. Accept Asset Allocation Report.
 - f. Accept Liquidity Report.

CLOSED SESSION

6. The Board will go into closed session pursuant to Govt. Code Section 54957 to consider recommendations from the Medical Advisor and/or staff regarding the following disability retirement applications:

<u>Member</u>	<u>Type Sought</u>	<u>Recommendation</u>
a. Helene Libert	Non-Service Connected	Non-Service Connected
b. Tracey Nicks	Non-Service Connected	Non-Service Connected
c. Jerald Treat	Service Connected	Service Connected

7. The Board will continue in closed session pursuant to Govt. Code Section 54957 to consider the Hearing Officer's recommendation regarding the disability application for Sandra Wimberly.

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.

8. The Board will continue in closed session pursuant to Govt. Code Section 54957 to consider the disability application for Leslie Pounds.
9. CONFERENCE WITH REAL PROPERTY NEGOTIATORS
(Government Code Section 54956.8)
 - a. Property: 1355 Willow Way, Concord, CA 94520
 Agency Negotiator: Andrew Schmitt and Jeff Birnbaum, CBRE
 Gail Strohl, Chief Executive Officer
 Negotiating Parties: 384 Willows, LLC, WPG Willows, LLC, WCG
 Willows, LLC, and RHH Willows, LLC
 Under Negotiation: Price and Terms
 - b. Property: 1200 Concord Avenue, Concord, CA 94520
 Agency Negotiator: Andrew Schmitt and Jeff Birnbaum, CBRE
 Gail Strohl, Chief Executive Officer
 Negotiating Parties: Sierra Pacific Properties, Inc.
 Under Negotiation: Price and Terms
 - c. Property: 1320 Willow Pass Road, Concord, CA 94520
 Agency Negotiator: Andrew Schmitt and Jeff Birnbaum, CBRE
 Gail Strohl, Chief Executive Officer
 Negotiating Parties: MH Concord Centre LLC
 Under Negotiation: Price and Terms

OPEN SESSION

10. Consider and take possible action to authorize the CEO to execute a contract with Cheiron for Actuarial Auditing Services.
11. Presentation of the Moraga-Orinda Fire District Final Audit Report.
12. Presentation of the Contra Costa County Department of Information Technology Final Audit Report.
13. Presentation of the Contra Costa County Office of the Auditor-Controller Final Audit Report.
14. Presentation of the CCCERA 2019 Compliance Activity Plan.
15. Presentation from the StepStone Group of private equity pacing report.
16. Presentation of the alternative investment fees and expense report.
17. Review of Report on Risk Diversifying Sub-portfolio.
18. Legislative update.

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.

19. Consider authorizing the attendance of Board:
 - a. 8th Annual Risk & Liquidity Forum, Institutional Investor Forums, January 29-30, 2019, San Francisco, CA.
 - b. Groundhog Day Investment Forum, Emerald Asset Management, Inc., February 7, 2019, Philadelphia, PA.
 - c. Sit Investment Associates Client Workshop, February 14-17, 2019, Scottsdale, AZ.
 - d. Commonfund Forum 2019, March 24-26, 2019, Orlando, FL.
 - e. The Pension Bridge Annual, April 9-10, 2019, San Francisco, CA. (Note: Conflict with meeting)

20. Miscellaneous
 - a. Staff Report
 - b. Outside Professionals' Report
 - c. Trustees' comments

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.



Meeting Date
12/12/18
Agenda Item
#4

MINUTES

RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING
November 7, 2018
9:00 a.m.

Retirement Board Conference Room
The Willows Office Park
1355 Willow Way, Suite 221
Concord, California

Present: Candace Andersen, Jerry Holcombe, Louie Kroll, Jay Kwon, David MacDonald, John Phillips, William Pigeon, Todd Smithey, Jerry Telles and Russell Watts

Absent: Scott Gordon and Gabe Rodrigues

Staff: Gail Strohl, Chief Executive Officer; Christina Dunn, Deputy Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wrally Dutkiewicz, Compliance Officer; Anne Sommers, Administrative/HR Manager; Henry Gudino, Accounting Manager; Tim Hoppe, Retirement Services Manager; and Colin Bishop, Member Services Manager

Outside Professional Support:	Representing:
Susan Hastings	Laughlin, Falbo, Levy & Moresi
Christopher Boucher	Wiley Price & Radulovich LLP

1. Pledge of Allegiance

The Board, staff and audience joined in the *Pledge of Allegiance*.

2. Recognition of Janet Kutrowski for 25 years of service

Smithey recognized and congratulated Janet Kutrowski for her 25 years of service.

3. Accept comments from the public

No member of the public offered comment.

4. Approve minutes from the September 26 and October 10, 2018 meetings

It was M/S/C to approve the minutes from the September 26, 2018 meeting with corrections and to approve the minutes from the October 10, 2018 meeting. The corrections to the September 26, 2018 meeting are: 1) Item 5, first paragraph, second line, adding the word "billion" to the end of \$0.81; and 2) Item 19, fourth line, changing the name "Holcombe" to "Watts." (Yes: Andersen, Holcombe, Kwon, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

5. Routine Items

It was M/S/C to approve the routine items of the November 7, 2018 meeting. Smithey noted a revised 5e was provided to the Board. (Yes: Andersen, Holcombe, Kwon, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

CLOSED SESSION

The Board moved into closed session pursuant to Govt. Code Section 54957.6 and 54957.

The Board moved into open session.

6. There was no reportable action related to Govt. Code Section 54957.6.

Andersen was no longer present for subsequent discussion and voting.

7. It was M/S/C to accept the Medical Advisor's recommendation and grant the following disability benefits:

- a. Haidee Jezek – Service Connected (Yes: Holcombe, Kwon, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)
- b. Mary Oades – Service Connected (Yes: Holcombe, Kwon, MacDonald, Phillips, Smithey, Telles and Watts) Note: Pigeon recused himself from this item and was not present for subsequent discussion and voting.
- c. John Whittington – Service Connected (Yes: Holcombe, Kwon, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

8. It was M/S/C to approve and adopt the recommendation of the Administrative Law Judge and deny the Service Connected disability application for Angela Alex-Moore. (Yes: Holcombe, Kwon, MacDonald, Phillips, Pigeon, Smithey, Telles and Watts)

9. Consider and take possible action to authorize the CEO to execute a contract with Northern Trust for Master Custodian

Strohl briefly reviewed the background on the RFP for Master Custodian.

Gudino reported an RFP was issued on April 13, 2018 and stated the purpose of the RFP was to assess that the custodial services provided are the most effective, cost efficient, and continue to be in the best interests of CCCERA, its members and beneficiaries. Responses were received from Northern Trust, BNY Mellon, and State Street Bank and Trust. A three member team comprised of Gudino, Price and Dutkiewicz reviewed and evaluated the responses. Based on the responses, the team visited and toured the facilities at BNY Mellon and Northern Trust. Reference checks were also completed.

The team reviewed the criteria and evaluation factors including: 1) Performance Measurement and Reporting Capabilities; 2) Technology and System Capabilities; 3) Quality of the Team and Personnel; 4) Quality of the Organization; and 5) Value of Services to CCCERA. Based on the written RFP and follow up questions, due diligence meetings, system evaluations, minimum transition disruption, reference checks, and fee proposal, Northern Trust emerged as the top candidate to meet CCCERA's current custodial needs.

There was a discussion on fees, including transaction costs. Strohl noted this is one of the most critical vendors that CCCERA has. She acknowledged Gudino, Price and Dutkiewicz on their efforts during the process. She also noted that March 1, 2019 is listed as the completion date on the transition timeline.

Telles was no longer present for subsequent discussion and voting.

Northern Trust – Tom Eichenberger, Jeff Porta, Kathy Stevenson and Julie Gonsch

Eichenberger reviewed the process to date and stated that today they are going to focus on the following key areas – the company, technology, client services, alternative investments, performance measurement and the transition plan. He gave an overview of the firm noting they also provide asset servicing and asset management using a single global operating platform and can handle and settle any type of investments. He also noted they are unique in the fact that they have acquired many businesses but have not changed their name.

Porta reported they are based in Chicago and have 182 public fund clients with approximately \$790 billion in assets under custody. He reviewed a representative list of public fund clients noting they have brought in 20 new clients in the past 3 years and lost 2 during that same time period. He discussed their commitment to technology and how critical it is. He reviewed their strategy noting they have 3 core values that are personalized for clients, build leading capabilities, and maximizes the protection of data. He noted all employees go through extensive training including cybersecurity training. He reported they have a subsidiary in Silicon Valley which has enabled them to capitalize on new technology innovations. They have created an innovation lab and an on-board dashboard which is a disciplined approach to making sure that it is a very smooth transition.

Stevenson reviewed her background and noted she will be our client services representative. She reviewed the 4 main components of the client servicing team including senior management, relationship management, servicing team, and core custody functions and noted the roles and responsibilities are overlapped. She reviewed alternative assets noting they have a dedicated team with over 400 clients. She also reviewed capital call administration. She reviewed the transition team, operations team, reporting team and audit team.

Gonsch reviewed the tools used to monitor performance and the portfolios for over 800 clients.

Pigeon was no longer present for subsequent discussion and voting.

Gonsch reviewed her background noting she has been with Northern Trust for 29 years and have transition 26 clients from State Street Bank and Trust. She reviewed the process for a successful transition noting communication is very important. Having clients that are willing and able to provide what they need in a timely manner is also very important.

It was **M/S/C** to authorize the CEO to execute a contract with Northern Trust for Master Custodian subject to satisfactory legal review. (Yes: Holcombe, Kroll, Kwon, MacDonald, Phillips, Smithey and Watts)

10. Consider and take possible action to add a meeting on November 28, 2018 and to cancel the meeting on November 20, 2018

It was **M/S/C** to add a meeting on November 28, 2018 and to cancel the meeting on November 20, 2018. (Yes: Holcombe, Kroll, Kwon, MacDonald, Phillips, Smithey and Watts)

11. Consider and take possible action on Board meeting schedule for 2019

A Motion was made to accept the Board meeting schedule for 2019. Trustee Watts suggested moving the November meeting to November 20, 2019, the week after Thanksgiving. An amended motion was **M/S/C** to accept the Board meeting schedule for 2019 with the second meeting in November changed to November 20, 2019. (Yes: Holcombe, Kroll, Kwon, MacDonald, Phillips, Smithey and Watts)

12. Consider authorizing the attendance of Board:

- a. It was **M/S/C** to authorize the attendance of two Board members at the Board & Audit Committee Compliance Conference, SCCE, February 18-19, 2019, Scottsdale, AZ. (Yes: Holcombe, Kroll, Kwon, MacDonald, Phillips, Smithey and Watts)
- b. There was no action taken on this item. Advanced Principles of Pension Management for Trustees, CALAPRS, March 27-29, 2019, Los Angeles, CA.

13. Miscellaneous

- (a) Staff Report –

Strohl gave an update on the exterior building renovations and noted the results from a brief employee survey regarding office space shows that location was ranked the most important factor followed by parking.

- (b) Outside Professionals' Report -

None

- (c) Trustees' comments –

Watts reported he and Telles attended the Torchlight Annual Investment Conference and felt it was well done.

Smithey reported there is an Audit Committee meeting after the Board meeting.

It was **M/S/C** to adjourn the meeting. (Yes: Holcombe, Kroll, Kwon, MacDonald, Phillips, Smithey and Watts)

Todd Smithey, Chairman

David MacDonald, Secretary

CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

Meeting Date
12/12/18
Agenda Item
#5

Items requiring Board Action

A. Certifications of Membership – see list and classification forms.

B. Service and Disability Retirement Allowances:

<u>Name</u>	<u>Number</u>	<u>Effective Date</u>	<u>Option Type</u>	<u>Tier</u>	<u>Selected</u>
Adu-Poku, Queen	70183	08/17/18	SR	Tier III	Unmodified
Anderson, Christian	68506	07/24/18	SR	Tier III	Unmodified
Bazan, Flor	71913	08/13/18	SR	Tier III	Unmodified
Bittenbender, Lauri	78993	09/01/18	SR	Pepra 5.3	Unmodified
Granger, Lucia	55418	08/01/18	SR	Tier II and III	Option 1
Heinemann, Corrienne	62652	08/31/18	SR	Tier II and III	Unmodified
Ley, Maria	57244	08/08/18	SR	Tier III	Unmodified
McDonald, Diana	21978	08/06/18	SR	Tier III	Unmodified
Murphy, Michael	D7274	03/08/18	SCD	Safety A	Unmodified
Nightingale, Jay	D3406	08/31/18	SR	Tier I	Option 4
Nikanjam, Shahla	45438	08/07/18	SR	Tier I and II	Unmodified
Pedersen, John	40405	01/06/17	SR	Tier II	Unmodified
Peterson, Lula	64329	08/01/18	SR	Tier III	Unmodified
Rushing, Roger	68080	07/25/18	SR	Tier III	Option 1
Schreeder, Teresa	52002	08/31/18	SR	Tier III	Unmodified
Sengsouvang, Phai	54925	08/08/18	SR	Tier II and III	Unmodified
Smith, Andrew	52843	08/01/18	SR	Safety A	Unmodified
State, Florica	61723	08/01/18	SR	Tier III	Unmodified
Stout, Carolyn	67559	08/01/18	SR	Tier III	Unmodified
Vassallo, Thea	D3406	08/18/18	SR	Tier I	Unmodified
Verigin, Elizabeth	44325	08/01/18	SR	Tier III	Unmodified
Williams, John	56361	08/21/18	SR	Tier II and III	Unmodified

C. Disability Retirement Applications: The Board's Hearing Officer is hereby authorized to issue subpoenas in the following cases involving disability applications:

<u>Name</u>	<u>Number</u>	<u>Filed</u>	<u>Type</u>
Brown, John	67033	11/09/18	SCD
Marshall, Peter	44107	11/30/18	SCD

<p>Option Type</p> <p>NSP = Non-Specified</p> <p>SCD = Service Connected Disability</p> <p>SR = Service Retirement</p> <p>NSCD = Non-Service Connected Disability</p> <p>* = County Advance</p> <p>Selected w/option</p>	<p>Tier</p> <p>I = Tier I</p> <p>II = Tier II</p> <p>III = Tier III</p> <p>S/A = Safety Tier A</p> <p>S/C = Safety Tier C</p>	<p>Pepra 4.2 = Pepra Tier 4 (2% COLA)</p> <p>Pepra 4.3 = Pepra Tier 4 (3% COLA)</p> <p>Pepra 5.2 = Pepra Tier 5 (2% COLA)</p> <p>Pepra 5.3 = Pepra Tier 5 (3% COLA)</p> <p>S/D = Pepra Safety Tier D</p> <p>S/E = Pepra Safety Tier E</p>
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CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

<u>Name</u>	<u>Number</u>	<u>Filed</u>	<u>Type</u>
Todd, Timothy	51633	11/08/18	NSCD
Upton, Aery	57133	10/31/18	SCD/NSCD

D.

Deaths:

<u>Name</u>	<u>Date of Death</u>	<u>Employer as of Date of Death</u>
Kimball, Dean	10/24/18	Contra Costa County
Mann, Irma	10/15/18	Contra Costa County
O'Leary, Willa	09/18/18	Contra Costa County
Pascalli, Lewis	10/22/18	Contra Costa County
Pino, Edith	11/02/18	Beneficiary
Ponce, Deanna	11/16/18	Contra Costa County
Posner, Casianita	10/15/18	Contra Costa County
Sharrar, Mary	11/08/18	Beneficiary
Squire, Griffith	11/12/18	Contra Costa County
Valencia, Edward	10/07/18	Contra Costa County
Walmsley, Beverly	10/18/18	Stege Sanitary District
Wright, Benton	11/02/18	Contra Costa Fire District

Option Type
 NSF = Non-Specified
 SCD = Service Connected Disability
 SR = Service Retirement
 NSCD = Non-Service Connected Disability
 * = County Advance
 Selected ~~ref~~option

Tier
 I = Tier I
 II = Tier II
 III = Tier III
 S/A = Safety Tier A
 S/C = Safety Tier C

Pepira 4.2 = Pepira Tier 4 (2% COLA)
 Pepira 4.3 = Pepira Tier 4 (3% COLA)
 Pepira 5.2 = Pepira Tier 5 (2% COLA)
 Pepira 5.3 = Pepira Tier 5 (3% COLA)
 S/D = Pepira Safety Tier D
 S/E = Pepira Safety Tier E

Meeting Date
12/12/18
 Agenda Item
#5a.

CERTIFICATION OF MEMBERSHIPS

Name	Employee Number	Tier	Membership Date	Employer
Achike, Ifeoma	87358	P5.2	10/01/18	Contra Costa County
Allen, Leslie	87363	P5.2	10/01/18	Contra Costa County
Aquino, Kristynn	87365	P5.2	10/01/18	Contra Costa County
Bagalso, Nolan	87110	P5.2	10/01/18	Contra Costa County
Ballati, Renata	87189	P5.2	10/01/18	Contra Costa County
Baltazar, Marilia	87312	P5.2	10/01/18	Contra Costa County
Bravo, Lluvia	87448	P5.2	10/01/18	Contra Costa County
Brooks, April	9500	P5.3	10/01/18	Contra Costa County Superior Courts
Carter, Marion	87449	P5.2	10/01/18	Contra Costa County
Chavez, Angelina	86556	P5.2	10/01/18	Contra Costa County
Chiu, Dylan	87338	P5.2	10/01/18	Contra Costa County
Conduracki, John	87402	P5.2	10/01/18	Contra Costa County
d'Angelo, Dana	87444	P5.2	10/01/18	Contra Costa County
Dixon, Serena	87399	P5.2	10/01/18	Contra Costa County
Ellington, Aaron	9500	P5.3	10/01/18	Contra Costa County Superior Courts
Escalante, Richard	87441	P5.2	10/01/18	Contra Costa County
Fierro, Cecilia	82111	P5.2	10/01/18	Contra Costa County
Flores, Vanessa	87416	P5.2	10/01/18	Contra Costa County
Gadek, Molly	87433	P5.2	10/01/18	Contra Costa County
George Jr., William	81577	P5.2	10/01/18	Contra Costa County
Gonzalez, Cecilia	9500	P5.3	10/01/18	Contra Costa County Superior Courts
Gonzalez, Salma	87405	P5.2	10/01/18	Contra Costa County
Harkness, Jacqueline	9500	P5.3	10/01/18	Contra Costa County Superior Courts
Hernandez, Mercy	86476	P5.2	10/01/18	Contra Costa County
Herrman, DeWayne	87459	S/E	10/01/18	Contra Costa County
Hoag, Alvina	87424	P5.2	10/01/18	Contra Costa County
Holman, Vanessa	87423	P5.2	10/01/18	Contra Costa County
Kaiser, Rocky	86175	P5.2	10/01/18	Contra Costa County
Kakar, Omar	87398	P5.2	10/01/18	Contra Costa County
Kasper, Olga	87282	P5.2	10/01/18	Contra Costa County
Katz, Rebecca	86263	P5.2	10/01/18	Contra Costa County
Kohl, Gena	87447	P5.2	10/01/18	Contra Costa County
Lai, Shelly	86407	P5.2	10/01/18	Contra Costa County
Lavender, Benjamin	3406	P4.3	10/01/18	Central Contra Costa Sanitary District
Leffel, Ronny	87289	P5.2	10/01/18	Contra Costa County
Love, Charles	87107	P5.2	10/01/18	Contra Costa County
Lynch, Shana	87369	P5.2	10/01/18	Contra Costa County
Malinowski, John	87387	P5.2	10/01/18	Contra Costa County
Malone, Laura	87379	P5.2	10/01/18	Contra Costa County
Mesa, Rene	87364	P5.2	10/01/18	Contra Costa County

Key:

I = Tier I	P4.2 = PEPR Tier 4 (2% COLA)	S/A = Safety Tier A
II = Tier II	P4.3 = PEPR Tier 4 (3% COLA)	S/C = Safety Tier C
III = Tier III	P5.2 = PEPR Tier 5 (2% COLA)	S/D = Safety Tier D
	P5.3 = PEPR Tier 5 (3% COLA)	S/E = Safety Tier E

CERTIFICATION OF MEMBERSHIPS

Name	Employee Number	Tier	Membership Date	Employer
Mitchell, Nicole	87406	P5.2	10/01/18	Contra Costa County
Nabeta, Daryn	87463	P4.3	10/01/18	First 5 Contra Costa
Naghshineh, Morvarid	86761	P5.2	10/01/18	Contra Costa County
Oliver, Michael	84922	P5.2	10/01/18	Contra Costa County
Panugaling, Ronimar Jessicacris	84394	P5.2	10/01/18	Contra Costa County
Pargett, Annette	87432	P5.2	10/01/18	Contra Costa County
Persaud, Joshua	87431	P5.2	10/01/18	Contra Costa County
Pica, Teya	87435	P5.2	10/01/18	Contra Costa County
Price, Rachael	87410	P5.2	10/01/18	Contra Costa County
Ramamurthy, Heather	3406	P4.3	10/01/18	Central Contra Costa Sanitary District
Rensen, Julie	84406	P5.2	10/01/18	Contra Costa County
Ries, Amanda	87393	P5.2	10/01/18	Contra Costa County
Rivera, Gilbert	83813	P5.2	10/01/18	Contra Costa County
Rivera, Troy	86507	P5.2	10/01/18	Contra Costa County
Rodriguez, Janet	87313	P5.2	10/01/18	Contra Costa County
Rubio, Jennifer	87413	P5.2	10/01/18	Contra Costa County
Saulog, Christopher	84600	P5.2	10/01/18	Contra Costa County
Serrano, Michael	86651	P5.2	10/01/18	Contra Costa County
Shah, Deepq	9500	P5.3	10/01/18	Contra Costa County Superior Courts
Shirley, Carolyn	85224	P5.2	10/01/18	Contra Costa County
Smith, Nikkole	87407	P5.2	10/01/18	Contra Costa County
Spencer, RaJenai	80378	P5.2	10/01/18	Contra Costa County
Sterne, Nathalie	87430	P5.2	10/01/18	Contra Costa County
Stokes, Michael	46636	P5.2	10/01/18	Contra Costa County
Takano, Glenn	87461	P5.2	10/01/18	Contra Costa County
Thomas, Ileia	83579	P5.2	10/01/18	Contra Costa County
Toms, Danielle	87414	P5.2	10/01/18	Contra Costa County
Tran, Angela	87404	P5.2	10/01/18	Contra Costa County
Turner, Tasia	87395	P5.2	10/01/18	Contra Costa County
Vergara, Acela	85290	P5.2	10/01/18	Contra Costa County
Walls, Kandice	4980	P4.3	10/01/18	CCCERA
Washington, Rozalynn	87415	P5.2	10/01/18	Contra Costa County
Watson, Michael	87439	P5.2	10/01/18	Contra Costa County
Wheat, Sharronda	87420	P5.2	10/01/18	Contra Costa County
Young, Emi	83812	P5.2	10/01/18	Contra Costa County

Key:

I = Tier I	P4.2 = PEPRA Tier 4 (2% COLA)	S/A = Safety Tier A
II = Tier II	P4.3 = PEPRA Tier 4 (3% COLA)	S/C = Safety Tier C
III = Tier III	P5.2 = PEPRA Tier 5 (2% COLA)	S/D = Safety Tier D
	P5.3 = PEPRA Tier 5 (3% COLA)	S/E = Safety Tier E

TIER CHANGES

<i>Name</i>	<i>Employee Number</i>	<i>Old Tier</i>	<i>New Tier</i>	<i>Effective Date</i>	<i>Employer</i>	<i>Reason for Change</i>
Andrade, Daniel	80813	S/D	S/A	11/01/14	Contra Costa County Fire Protection District	Recip in Age & Tier Change
Chulick, David	9500	P5.3	III	06/01/18	Contra Costa County Superior Courts	Recip in Age & Tier Change
Clay, Brandon	7830	S/D	S/A	09/01/18	San Ramon Valley Fire Protection District	Recip in Age & Tier Change
George, Andrey	84676	P5.2	P4.2	10/01/18	Contra Costa County Fire Protection District	Transfer Employers
Martin, Mathew	7830	S/D	S/A	09/01/18	San Ramon Valley Fire Protection District	Recip in Age & Tier Change
Reyes, Paul	87061	P5.2	III	08/01/18	Contra Costa County	Recip in Age & Tier Change
Simas, Christina	73964	P5.2	III	09/01/18	Contra Costa County	Recip in Age & Tier Change

Key:

I = Tier I	P4.2 = PEPR A Tier 4 (2% COLA)	S/A = Safety Tier A
II = Tier II	P4.3 = PEPR A Tier 4 (3% COLA)	S/C = Safety Tier C
III = Tier III	P5.2 = PEPR A Tier 5 (2% COLA)	S/D = Safety Tier D
	P5.3 = PEPR A Tier 5 (3% COLA)	S/E = Safety Tier E

Contra Costa County Employees' Retirement Association
Asset Allocation as of October 31, 2018

Meeting Date 12/12/18 Agenda Item #5e.

Liquidity	Market Value	Percentage of Total Fund	Phase 3 Target Percentage	Phase 3 Over/(Under)	Long Term Target	Long Term Over/(Under)
Insight	916,701,070	10.9%	12.0%	-1.1%		
Sit	520,711,659	6.2%	5.5%	0.7%		
Dimensional Fund Advisors	429,235,234	5.1%	5.5%	-0.4%		
Total Liquidity	1,866,647,963	22.2%	23.0%	-0.8%	23.0%	-0.8%

Range 16% - 28%

Growth

Domestic Equity

Boston Partners	289,692,973	3.4%	3.0%	0.4%		
Jackson Square	313,095,208	3.7%	3.0%	0.7%		
BlackRock Index Fund	123,171,363	1.5%	1.0%	0.5%		
Emerald Advisors	217,293,724	2.6%	2.0%	0.6%		
Ceredex	189,864,252	2.3%	2.0%	0.3%		
Total Domestic Equity	1,133,117,521	13.5%	11.0%	2.5%	5.0%	8.5%

Global & International Equity

Pyrford (BMO)	432,565,395	5.1%	5.5%	-0.4%		
William Blair	435,712,787	5.2%	5.5%	-0.3%		
First Eagle	348,068,819	4.1%	4.0%	0.1%		
Artisan Global Opportunities	367,895,195	4.4%	4.0%	0.4%		
PIMCO/RAE Emerging Markets	321,484,081	3.8%	4.0%	-0.2%		
TT Emerging Markets	290,892,205	3.5%	4.0%	-0.5%		
Total Global & International Equity	2,196,618,482	26.1%	27.0%	-0.9%	24.0%	2.1%

Private Equity

Private Credit	951,020,311	11.3%	10.0%	1.3%	11.0%	0.3%
Real Estate - Value Add	274,256,547	3.3%	4.0%	-0.7%	12.0%	-8.7%
Real Estate - Opportunistic & Distressed	182,558,839	2.2%	5.0%	-2.8%	5.0%	-2.8%
Real Estate - REIT (Adelante)	465,682,978	5.5%	4.0%	1.5%	4.0%	1.5%
High Yield (Allianz)	65,758,183	0.8%	1.0%	-0.2%	1.0%	-0.2%
Risk Parity	341,952,459	4.1%	2.0%	2.1%	0.0%	4.1%
Total Other Growth Assets	0	0.0%	5.0%	-5.0%	5.0%	-5.0%
Total Growth Assets	2,281,229,316	27.2%	31.0%	-3.8%	38.0%	-10.8%

Total Growth Assets	5,610,965,319	66.8%	69.0%	-2.2%	67.0%	-0.2%
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Range 60% - 80%

Risk Diversifying

AFL-CIO	312,316,361	3.7%	3.5%	0.2%	3.0%	0.7%
Parametric Defensive Equity	197,591,758	2.4%	2.5%	-0.1%	3.5%	-1.1%
Wellington Real Total Return	180,828,872	2.2%	2.0%	0.2%	3.5%	-1.3%
Total Risk Diversifying	690,736,991	8.2%	8.0%	0.2%	10.0%	-1.8%

Range 0% - 10%

Cash and Overlay

Overlay (Parametric)	26,847,282	0.3%		0.3%		
Cash	204,874,865	2.4%		2.4%		
Total Cash and Overlay	231,722,147	2.8%	0.0%	2.8%	0.0%	2.8%

Total Fund	8,400,072,420	100%	100%	0%	100%	0%
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*Phase 3 targets and ranges reflect Phase 3 asset allocation targets accepted by the Board on June 27, 2018 (BOR Resolution 2018-2)

**Private Market Investments
As of October 31, 2018**

REAL ESTATE - Value Add

	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Invesco IREF II	05/30/07	12/31/15	in full liq.			85,000,000	444,000	0.01%	
Invesco IREF III	08/01/13	08/01/20				35,000,000	13,631,891	0.16%	2,613,576
Invesco IREF IV	12/01/14	12/01/21				35,000,000	26,199,426	0.31%	5,191,261
Invesco IREF V	09/11/18	09/11/25				75,000,000		0.00%	75,000,000
Long Wharf FREG IV	08/14/13	09/30/21				25,000,000	13,540,606	0.16%	
Long Wharf FREG V	10/31/16	09/30/24				50,000,000	44,573,914	0.53%	6,215,012
LaSalle Income & Growth Fund VI	01/31/12	01/31/19				75,000,000	31,047,000	0.37%	3,946,000
LaSalle Income & Growth Fund VII	10/31/16	09/30/24				75,000,000	53,122,002	0.63%	20,333,878
					580,000,000	182,558,839	2.17%	113,299,727	
Outstanding Commitments							113,299,727		
Total							295,858,565		

REAL ESTATE -Opportunistic & Distressed

	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment	
DLJ Real Estate Capital Partners, L.P. III	06/30/05	06/30/14	in full liq.			75,000,000	23,160,899	0.28%	4,031,338	
DLJ Real Estate Capital Partners, L.P. IV	12/31/07	09/30/18				100,000,000	91,523,074	1.09%	4,539,736	
DLJ Real Estate Capital Partners, L.P. V	07/31/13	12/31/22				75,000,000	41,114,961	0.49%	32,513,179	
Oaktree Real Estate Opportunities Fund V	02/01/11	02/01/21				50,000,000	5,899,329	0.07%	25,750,000	
Oaktree Real Estate Opportunities Fund VI	09/30/13	09/30/20				80,000,000	43,041,789	0.51%	18,400,000	
Oaktree Real Estate Opportunities Fund VII	02/28/15	02/28/23				65,000,000	32,431,467	0.39%	38,870,000	
Siguler Guff Distressed Real Estate Opp. Fund	07/30/11	07/30/22				75,000,000	47,273,498	0.56%	5,625,000	
Siguler Guff Distressed Real Estate Opp. Fund II	08/31/13	08/31/25				70,000,000	53,546,748	0.64%	11,515,000	
Siguler Guff Distressed Real Estate Opp. II Co-Inv	01/31/16	10/31/25				25,000,000	23,794,281	0.28%	5,149,638	
Paulson Real Estate Fund II	11/10/13	11/10/20				20,000,000	20,776,630	0.25%	654,377	
Angelo Gordon Realty Fund VIII	12/31/11	12/31/18				80,000,000	27,226,305	0.32%	12,334,302	
Angelo Gordon Realty Fund IX	10/10/14	10/10/22				65,000,000	55,893,997	0.67%	16,997,500	
						780,000,000	465,682,978	5.54%	176,380,070	
Outstanding Commitments							176,380,070			
Total							642,063,048			

PRIVATE CREDIT

	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Torchlight Debt Opportunity Fund II	09/28/06	09/30/16	in full liq. 2nd 1 YR			128,000,000	14,268,286	0.17%	
Torchlight Debt Opportunity Fund III	09/30/08	06/30/16		LP	06/30/18	75,000,000	495,635	0.01%	
Torchlight Debt Opportunity Fund IV	08/01/12	08/30/20				60,000,000	25,828,027	0.31%	
Torchlight Debt Opportunity Fund V	12/31/14	09/17/22				75,000,000	54,318,706	0.65%	30,000,000
Angelo Gordon Energy Credit Opportunities	09/10/15	09/10/20				16,500,000	6,658,018	0.08%	
CCCERA StepStone	12/01/17	11/30/27				590,000,000	172,687,876	2.06%	419,184,787
						944,500,000	274,256,547	3.26%	449,184,787
Outstanding Commitments							449,184,787		
Total							723,441,334		

Private Market Investments
As of October 31, 2018

PRIVATE EQUITY	Inception Date	Target Termination	# of Extension	Discretion by GP/LP	New Target Termination	Funding Commitment	Market Value	% of Total Asset	Outstanding Commitment
Adams Street Partners	12/22/95	12/22/25				269,565,614	149,490,243	1.78%	36,645,080
Adams Street Secondary II	12/31/08	12/31/20				30,000,000	9,211,830	0.11%	1,635,000
Adams Street Secondary V	10/31/12	10/31/22				40,000,000	23,119,628	0.28%	9,388,100
Adams Street Venture Innovation Fund	03/09/16	03/09/28				75,000,000	18,825,407	0.22%	55,087,500
AE Industrial Partners Fund II	05/18/18	05/18/28				35,000,000		0.00%	35,000,000
Bay Area Equity Fund	06/14/04	12/31/14	2nd 2 YR	LP	12/31/2017	10,000,000	2,892,127	0.03%	
Bay Area Equity Fund II	2/29/09	12/31/19				10,000,000	11,260,076	0.13%	
Carpenter Community BancFund	10/31/09	10/31/19				30,000,000		0.00%	904,309
EIF USPF I	11/08/02	11/08/15	in full liq.	LP	11/08/15	30,000,000	55,209	0.00%	
EIF USPF II	06/15/05	06/15/15	3rd 1 YR	LP	06/15/18	50,000,000	18,815,276	0.22%	
EIF USPF III	02/28/07	02/28/17	1st 1 YR	LP	02/28/18	65,000,000	22,927,430	0.27%	
EIF USPF IV	06/28/10	06/28/20				50,000,000	44,860,695	0.53%	4,120,704
Ares EIF V	09/09/15	11/19/25				50,000,000	32,902,403	0.39%	16,760,366
Oaktree Private Investment Fund 2009	02/28/10	12/15/19				40,000,000	9,436,522	0.24%	6,308,961
Ocean Avenue Fund II	05/07/14	05/07/24				30,000,000	27,935,083	0.33%	6,600,000
Ocean Avenue Fund III	12/09/15	12/09/25				50,000,000	32,142,680	0.07%	22,000,000
Paladin III	08/15/08	08/15/18				25,000,000	23,044,678	0.27%	600,715
Pathway	11/09/98	05/31/21				125,000,000	22,903,335	0.27%	11,185,659
Pathway 2008	12/26/08	12/26/23				30,000,000	22,384,284	0.27%	3,759,646
Pathway 6	05/24/11	05/24/26				40,000,000	37,473,582	0.45%	5,818,466
Pathway 7	02/07/13	02/07/23				70,000,000	63,213,905	0.75%	13,717,133
Pathway 8	11/23/15	11/23/25				50,000,000	34,593,995	0.41%	20,872,429
Siguler Guff CCCERA Opportunities	06/03/14	05/31/25				200,000,000	157,780,089	1.88%	71,236,087
Siguler Guff Secondary Opportunities	12/31/16	12/31/26				50,000,000	17,855,766	0.21%	46,828,811
Siris Partners IV	05/18/18	05/18/28				35,000,000		0.00%	35,000,000
Real Assets									
Aether III & III Surplus	11/30/13	11/30/20				75,000,000	81,255,235	0.97%	11,516,548
Aether IV	01/01/16	01/01/28				50,000,000	26,728,405	0.32%	26,328,058
Commonfund Capital Natural Resources IX	06/30/13	06/30/20				50,000,000	48,489,393	0.58%	7,600,003
Wastewater Opportunity Fund	12/31/15	11/30/22				25,000,000	11,423,036	0.14%	11,584,161
						1,704,565,614	951,020,311	11.14%	460,497,736
Outstanding Commitments							460,497,736		
Total							1,411,518,047		

Market value equals the most recent reported net asset value, plus capital calls after net asset value date, less distributions after net asset value date.

The Target Termination column is the beginning of liquidation of the fund, however, some funds may be extended for an additional two or three years.



Meeting Date
12/12/18
Agenda Item
#5f.

**Contra Costa County Employees' Retirement Association
Liquidity Report – October 2018**

October 2018 Performance

	Cash Flow	Coverage Ratio
Benefit Cash Flow Projected by Model	\$38,500,000	
Liquidity Sub-Portfolio Cash Flow	\$38,500,000	100%
Actual Benefits Paid	\$38,648,387	100%
<i>Next Month's Projected Benefit Payment</i>	<i>\$38,750,000</i>	

Monthly Manager Positioning – October 2018

	Beginning Market Value	Liquidity Program Cash Flow	Market Value Change/Other Activity	Ending Market Value
Sit	\$521,745,670	(\$1,250,000)	\$215,989	\$520,711,659
DFA	\$442,518,917	(\$13,250,000)	(\$33,683)	\$429,235,234
Insight	\$940,109,107	(\$24,000,000)	\$591,963	\$916,701,070
Liquidity	\$1,904,373,694	(\$38,500,000)	\$774,269	\$1,866,647,963
Cash	\$213,868,717	(\$148,387)	(\$8,845,465)	\$204,874,865
Liquidity + Cash	\$2,118,242,411	(\$38,648,387)	(\$8,071,196)	\$2,071,522,828

Functional Roles

Manager	Portfolio Characteristics	Liquidity Contribution
Sit	High quality portfolio of small balance, government guaranteed mortgages with higher yields.	Pays out net income on monthly basis.
DFA	High quality, short duration portfolio of liquid, low volatility characteristics.	Pays out a pre-determined monthly amount. DFA sources liquidity from across their portfolio.
Insight	Buy and maintain (limited trading) portfolio of high quality, short duration, primarily corporates.	Completion portfolio makes a payment through net income and bond maturities that bridges the gap between other managers and projected payment.
Cash	STIF account at custodial bank.	Buffer in the event of any Liquidity shortfall/excess.

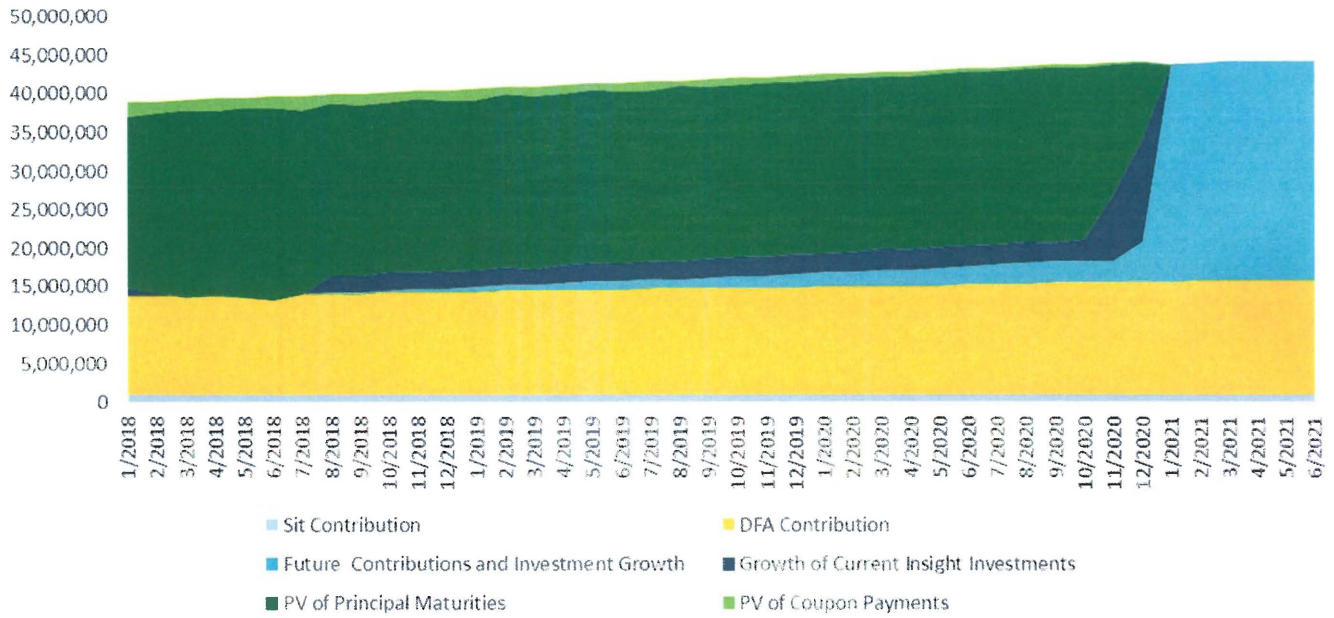
Notes

The October cash flow from the liquidity program for 2018 was completed on October 23rd. The actuarial model nearly matched the actual experience, producing \$148 thousand less than the actual benefits paid.

Cash Flow Structure

The chart below shows the sources of cash flow for the next several years of CCCERA's projected benefit payments. This table will change slightly as the model is tweaked and as the portfolios receive new rounds of funding each July as part of the Annual Funding Plan.

**Dollar Investment by Cashflow Period
Current & Future Investments**



MEMORANDUM

Date: December 12, 2018
To: CCCERA Board of Retirement
From: Gail Strohl, Chief Executive Officer
Subject: Consider and take possible action to authorize the CEO to execute a contract with Cheiron for actuarial auditing services.

Background

In 2008, CCCERA engaged Milliman to provide actuarial audit services. Milliman has completed actuarial audits in 2008 and 2014 for actuarial valuation reports ending December 31, 2007 and December 31, 2012, respectively. Board policy mandates an actuarial audit be completed every five years, or as otherwise requested by the Board. (See CCCERA's Professional Consultant Evaluation Policy.)

On September 26, 2018, the Board approved the issuance of a RFP for actuarial consulting and actuarial audit services. The RFP was issued on September 28, 2018. Cheiron and Milliman responded for consideration of actuarial audit services.

The evaluation committee, comprised of the CEO, Deputy CEO and Accounting Manager, reviewed the two proposals to determine which firm most closely met or exceeded the requirements as set forth in the RFP. The committee conducted interviews with both firms, discussing the proposed team and pertinent qualifications and experience. It was determined that Cheiron is the selected finalist.

Amongst the other qualifications, Cheiron is the valuation actuary for six of the twenty 1937 Act retirement systems and has performed actuarial audits with nine of the twenty systems. The proposed team is William Hallmark, ASA, FCA, MAAA, EA, Anne Harper, FSA, MAAA, EA, and Graham Schmidt, ASA, FCA, MAAA, EA, as co-lead consulting actuaries.

The scope of the work required are audits of the 2017 annual valuation report, 2012-2014 triennial experience and assumptions study and 2017 GASB 68 financial statement disclosure reporting. Cheiron's proposed costs for these services is \$85,000.

Recommendation

Consider and take possible action to authorize the CEO to execute a contract with Cheiron for actuarial auditing services.



Meeting Date
12/12/18
Agenda Item
#11

MEMORANDUM

Date: December 12, 2018

To: Board of Retirement

From: Wrally Dutkiewicz
Compliance Officer

Subject: Final Employer Audit Report Dated November 30, 2018 –
Moraga-Orinda Fire District

Background:

Between April and July 2018 an employer audit was performed on the Moraga-Orinda Fire District (MOFD). An onsite review was performed at the MOFD office on May 14, 2018.

The employer audit scope items include the following:

- Accuracy of Payroll Information Provided to CCCERA;
- Salaries In Accordance with Publicly Available Pay Schedules;
- Enrollment of All Eligible Employees;
- Pension Benefit Review;
- Internal Revenue Code 415 Limits;
- Retiree Return to Work Monitoring; and
- Forfeiture of Benefits Earned or Accrued from the Commission of a Felony.

Follow Up Items:

The following items were noted in the final audit report requiring follow up action by the employer. The employer provided a response to the follow up items noted in the report dated August 23, 2018 to the Preliminary Audit Report and further amended and clarified responses on October 8, 2018 and November 29, 2018 respectively for the Final Audit Report. The final audit transmittal letter dated November 30, 2018 indicated those items that requires further follow up by the District.

Follow Up Action Items:

1. **Pensionable Compensation and Contribution Reporting:** CCCERA provides the following recommendations:
 - i. Setting up a meeting between CCCERA's Member Services Department and MOFD's administrative staff to review the input file format and information reported. Specifically, MOFD must report demographic changes including new hires, terminations, name changes, address changes, position changes, bargaining unit changes and leaves of absence. For leaves of absence it must be specified whether the leaves are contributing or non-contributing by entering the appropriate reason code in the I29 input file. Note that CCCERA's Participating Employer Handbook which covers these items is available on CCCERA's website¹.
 - ii. Providing an I29 file to add current job codes and titles for the eighteen (18) employees who do not have data in these fields in CCCERA's pension administration system. In addition, the file should include termination information for the five (5) employees identified as terminated that are still shown as active in CPAS, a name change transaction for the identified employee and updated position data for the employees identified in the salary review. Furthermore, it is recommended that all demographic data for active employees be reviewed and submitted since the audit was limited to data submissions between January 1, 2016 and June 30, 2018.
 - iii. Review the reporting of vacation buy-backs and terminal pay items reported under V07 and V08 until the end of 2015. Was there a change in MOFD's administrative policy or the MOUs that caused the reporting of these pay types to come to an end? Please review the applicable MOU's and vacation buy-back provisions and clarify how the vacation buy-back program is administered in consideration of CCCERA's Compensation Earnable Policy.

District Response:

¹ <https://www.cccera.org/employers>

District Response:

The District attended a follow-up meeting with CCCERA on September 19, 2018. The District is in the process of updating the I29 file and will submit an updated I29 file to CCCERA as soon as the update is complete.

In 2014, the District eliminated vacation buy-back benefits for all employees except two. The District appreciates the Employer Audit and has incorporated the District's responses into the Employer Audit report. None of the items noted have resulted in any adverse financial implications to District financial information and are not deemed to be material weaknesses.

CCCERA Compliance Response:

1. As of November 16, 2018 CCCERA did not receive an updated I29 file. An updated I29 file is to be submitted to address the observation that demographic information including employee position titles in order for the member records to be updated in CCCERA's pension administration system.
2. It is acknowledged that the district eliminated the vacation buy-back benefit for all employees with the exception of two which were the basis of the observation noted during the audit.
3. The audit of the District was conducted pursuant to Government Code Section 31543 Audit of County or District by Board which states "*The board may audit a county or district to determine the correctness of retirement benefits, reportable compensation, and enrollment in, and reinstatement to, the system. During an audit, the board may require a county or district to provide information, or make available for examination or copying at a specified time and place, books, papers, data, or records, including, but not limited to, personnel and payroll records, as deemed necessary by the board. (Added by Stats. 2012, Ch. 296 (AB 340), Sec. 31)*"

CCCERA reviewed the District's response and cannot attest to the District's assertion as the scope of the audit as provided for under Government Code Section 31543 did not include the audit of the District's financial information. The focus of the scope of the audit was on the member information reported by the District to CCCERA.

Employer Audit: Moraga-Orinda Fire District

*Final Audit Report
dated 11/30/2018
prepared by:*



Moraga-Orinda Fire District

Table of Contents

Final Audit Transmittal Letter	1
Preliminary Audit Transmittal Letter	3
Background	5
Scope	7
Findings & Observations	10
Accuracy of Payroll Information provided to CCCERA.....	10
MOFD Payroll and Reporting Process	17
Contributions Review	21
Payroll Reporting – Pensionable Compensation and Contribution Review	25
Compensation Limits.....	26
Receivables Review	27
Publicly Available Pay Schedule Review	31
Salaries in Accordance With Publicly Available Pay Schedules	32
Enrollment of all Eligible Employees	33
Pension Benefit Review	34
Retiree Return to Work Monitoring	34
Forfeiture of Benefits Earned or Accrued from the Commission of a Felony	36
Follow-Up Items	37
District Response – Preliminary Audit Report	39

Moraga-Orinda Fire District

Final Audit Transmittal Letter



November 30, 2018

Dave Winnacker
Fire Chief
Moraga-Orinda Fire District
1280 Moraga Way
Moraga, CA 94556

Re: Final Audit Report – Moraga-Orinda Fire District (MOFD) Pensionable Compensation, Contribution and Reporting Audit

Dear Chief Winnacker,

Enclosed you will find our final audit report for the Moraga-Orinda Fire District. The District's written responses have been included within the report along with CCCERA Compliance responses. The items below indicates the follow up action items noted in the report:

1. Accuracy of Input Files – I29 Reports: The District's response indicated that it agrees and will correct the noted omission of member data as indicated in the report. The District advised that it will send an updated I29 file. The District will coordinate with CCCERA's Member Services department to ensure that member data has been updated within 120 days of the date of this report.
2. Payroll Reporting – Employee Contribution Reporting Timeliness: CCCERA Compliance concurs with the District response and that the District will report employee pensionable compensation and contributions timely as specified under Board of Retirement Regulations IV. Contributions and Reporting, 2. Due Dates.



Moraga-Orinda Fire District

I would like to thank the District staff for their time and cooperation during the audit process. Their assistance allowed CCCERA Compliance staff to perform the review in a timely and efficient manner. Staff appreciated the collaborative manner in which information was exchanged between the District and CCCERA Compliance Staff.

The Final Employer Audit Report is scheduled to be submitted to the CCCERA Board of Retirement at its December 12, 2018 meeting. Should you wish to discuss or have any questions regarding the items reviewed and the observations contained within this report, please contact me at 925-521-3960.

Best regards,



Wrally Dutkiewicz
Compliance Officer

Cc: Gloriann Sasser, Administrative Services Director

Moraga-Orinda Fire District

Preliminary Audit Transmittal Letter



August 15, 2018

Dave Winnacker
Fire Chief
Moraga-Orinda Fire District
1280 Moraga Way
Moraga, CA 94556

Re: Preliminary Report – Moraga-Orinda Fire District (MOFD) Pensionable Compensation, Contribution and Reporting Audit

Dear Chief Winnacker,

Enclosed is the preliminary audit report of the Moraga-Orinda Fire District (MOFD) pensionable compensation, contribution and reporting audit, conducted pursuant to Government Code Section 31543. I want to thank you and all MOFD staff for their assistance in gathering all the records and documents and making them readily available during this audit. This cooperation was greatly appreciated and allowed for the audit to be completed in an efficient manner.

The *Preliminary Audit Report* is enclosed for your review. I would direct your attention to the “*Observations*” and “*Follow-Up Items*” sections of the report. A written response from MOFD pertaining to the “*Follow-Up Items*” indicated in the report should be sent to CCCERA within four weeks of the date noted on the report. This response will be included in the “*Final Report*” which will be submitted to CCCERA’s Board of Retirement.

Moraga-Orinda Fire District

In addition, I would like to extend my gratitude to MOFD's payroll and human resources staff and the courtesy that they extended to CCCERA compliance staff during the review. Should you wish to discuss or have any questions regarding the items reviewed and the observations contained within this report, please contact me at 925-521-3960.

Best regards,



Wrally Dutkiewicz
Compliance Officer

Cc: Gloriann Sasser, Administrative Services Director

Moraga-Orinda Fire District

Background

The Contra Costa County Employees' Retirement Association (CCCERA) is a public employee retirement system that was established by Contra Costa County on July 1, 1945, and is administered by the Board of Retirement (Board) to provide service retirement, disability, death, and survivor benefits for Contra Costa County (County) employees and 16 other participating agencies under the California State Government Code, Section 31450, et. seq. (County Employees Retirement Law of 1937 or CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA).

CCCERA administers the retirement benefits for the employees of Contra Costa County and participating District employers. Participating employers within the CCCERA retirement system transmit payroll information and contributions to fund the benefits for their employees. CCCERA sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits when needed.

Retirement allowances are computed in accordance with statute using three factors: years of service, age at retirement, and final compensation. For Legacy (pre-PEPRA) members, final compensation is defined as the highest average annual compensation earnable (as defined in G.C. Section 31461) by a member during the last one or three consecutive years of employment depending on the member's Tier, unless the member elects a different period with a higher average. For PEPRA members, final compensation is defined as the highest average annual pensionable compensation (as defined in G.C. Section 7522.34) earned by the member during a period of 36 consecutive months.

The employer's knowledge of the rules relating to membership and payroll reporting facilitates the employer in providing CCCERA with appropriate employee information. Correct enrollment of eligible employees and correct reporting of payroll information are necessary for the accurate computation of a member's retirement allowance.

The Moraga-Orinda Fire Protection District (MOFD) provides fire protection, rescue, and emergency medical services in the City of Orinda, the Town of Moraga, some unincorporated county areas adjacent to the municipalities, and the community of Canyon. The MOFD also provides automatic aid into Lafayette and State Responsibility Areas (SRA) that lie within the District's boundaries.¹

The District has six divisions: Operations, Fire Prevention, Support Services, Training, Emergency Preparedness and Administrative Services. These divisions provide a full-range of services, including emergency and non-emergency services, fire prevention, emergency preparedness and public education. The District employs 76 personnel, in addition to

Moraga-Orinda Fire District

approximately 30 volunteers. The District maintains five Fire Stations and one Administration Office Building, all strategically located within the District. All five fire stations house paid firefighters. Full-time suppression personnel are assigned to four fire engines, one truck, two medic units, and one command unit. All other Administrative personnel work at the Administration Office.²

For fiscal year 2016-2017 MOFD had budgeted expenditures for salaries and benefits in the amount of \$17,682,000 and for fiscal year 2017-2018 it budgeted \$19,151,000. Per CCCERA records, MOFD had an average of 63 employees in fiscal year 2016-2017 with active memberships in CCCERA and submitted approximately \$1,852,000 in employee pension contributions and \$4,528,000 in employer pension contributions. As of December 31, 2017, CCCERA had 76 retirees and beneficiaries on record for MOFD with a total paid benefit amount of approximately \$7,085,000 in 2017.

¹ <http://www.mofd.org/about>

² http://www.mofd.org/_literature_242983/2017_CAFR

Moraga-Orinda Fire District

Scope

The 2013 Pension Reform legislation granted CCCERA the authority under Government Code Section 31543 to conduct audits of employers to ensure that employee and payroll information used in the calculation of retiree pension benefits is correct and verifiable. The scope of these on-site reviews includes:

- Correctness of retirement benefits;
- Reportable compensation;
- Enrollment in, and reinstatement to the system (GC 31554);
- Pensionable compensation (GC 31461 and 7522.34);
- Determine if employees convicted of certain felonies have forfeited benefits earned or accrued from the commission of the felony (GC 7522.72(g) and GC 7522.74(g));
- Review MOUs with respect to compensation and salary regulations (i.e. Vacation Sales, etc.);
- Determine if compensation is paid to enhance a member's retirement benefit (GC 31461(b)(1) and 7522.34(c)(1));
- Evaluate employer's compliance with restrictions on retirees returning to work (GC 7522.56, I.R.S. bona fide separation and normal retirement age rules).

The on-site review of the District was conducted on May 14, 2018. The review period encompassed active employee records for 2015 through 2017 and retired employee records from 2016 through 2018.

Moraga-Orinda Fire District

The following activities were performed:

- Reviewed the following documents:
 - MOFD Unrepresented Employee Handbook effective July 1, 2016
 - Memoranda of Understanding (MOU):
 1. MOU between MOFD and the International Association of Firefighters (IAFF Local 1230) – January 1, 2011 – June 30, 2018
 2. MOU between MOFD and Moraga-Orinda Fire Chief Officers Association (MOFCOA) – July 1, 2012 – June 30, 2018
 3. MOU between MOFD and United Clerical, Technical & Specialized Employees (AFSCME Local 2700) – July 1, 2014 – June 30, 2018
 - Side Letters (SL):
 1. SL between MOFD and IAFF Local 1230 – effective March 2015 (medical and dental benefits)
 2. SL between MOFD and IAFF Local 1230 – effective November 2015 (general wage increases between July 1, 2014 through June 1, 2018)
 3. SL between MOFD and IAFF Local 1230 – effective August 1, 2016 (medical and dental benefits)
 - Employment Agreements:
 1. Employment Agreement between MOFD and Fire Chief Winnacker – December 2017
- Interviewed key MOFD staff members to obtain an understanding of the District's personnel and payroll procedures;
- Reviewed the payroll transactions and compared MOFD's payroll register with the data reported to CCCERA to determine whether the district correctly reported employees' compensation;
- Reviewed whether appropriate compensation limits established by the Internal Revenue Code (IRC) were applied to MOFD compensation reported to CCCERA;
- Reconciled a sample of timesheets to payroll system information;
- Reviewed MOFD's payroll information reported to CCCERA for all employees to determine whether pay-rates were reported pursuant to public salary information;
- Reviewed MOFD's process for reporting payroll to CCCERA to determine whether the payroll reporting elements were reported correctly;

Moraga-Orinda Fire District

- Reviewed MOFD's employer and employee retirement contribution calculations for accuracy;
- Reviewed MOFD's employee enrollments to determine whether all enrollment packages were received in a timely manner by CCCERA and executed correctly;
- Reviewed receivables from MOFD paid to CCCERA on a monthly basis for timeliness and accuracy;
- Reviewed whether all compensation elements that were reported to CCCERA by MOFD are pensionable;
- Reviewed a sample of pension benefit calculations;
- Reviewed whether applicable limits established by IRC Section 415 were applied to retiree pension benefits.

Moraga-Orinda Fire District

Findings & Observations

Accuracy of Payroll Information provided to CCCERA

The accuracy, timeliness and completeness of the pensionable payroll and employee and employer contributions reported to CCCERA by MOFD is to be tested to ensure that member benefits can be accurately calculated and that the retirement system is receiving accurate information to manage and report out from its pension administration system.

Test Standards

Pursuant to Board of Retirement Regulations Section IV: Employer pensionable payroll and corresponding pension contributions are to be reported to the retirement system timely and accurately. (*Contributions And Reporting, 2. Due Dates, 4. Employer Certification*).

Due Dates

Each employer shall report to the Association in a manner and frequency as determined by the Board sufficient for the Board to credit contributions and service to each member's record.

Unless otherwise specified, reports shall be due no later than the tenth of each month for the previous month's payroll and shall be accompanied by member and employer contributions. If the tenth of the month falls on a weekend or holiday, the due date shall be the last working day before the tenth. Reports, which are unreadable or incorrect, shall not be accepted and shall be returned to the employer. (Emphasis added.)

Reports and contributions received after the due date shall be considered late and subject to a late reporting penalty equal to: the prime rate in effect on the due date computed on a daily, non-compounding basis and applied to the contributions due.

Employer Certification

Each payroll and pension contribution report shall include or be accompanied by a certification, under penalty of perjury, as to its accuracy. The certification shall be made by a duly authorized representative of the employer. (Board of Retirement Regulations *Section IV, 4. Employer Certification*.)

Moraga-Orinda Fire District

Compensation Limits:

Federal and state laws place annual limits on the compensation that can be used to determine contributions and benefits for CCCERA plan members.

Legacy Members:

- The Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans which are adjusted annually for cost-of-living increases.
- Members who commenced participation in CCCERA on or after January 1, 1996 are subject to the annual federal Internal Revenue Code Section 401(a)(17) compensation limit.
- For CERL benefit formulas (General Tiers 1, 3, Safety Tiers A, & C), the 2017 calendar year compensation limit was increased by the I.R.S. to \$270,000 from \$265,000 for calendar year 2016;
- Members who commenced participation in CCCERA prior to January 1, 1996 are not subject to the Internal Revenue Code annual compensation limit.

PEPRA Members:

- For new employees who commenced participation in CCCERA on or after January 1, 2013 under PEPRA benefit formulas (General Tiers 4,5, Safety Tiers D & E), the compensation which exceeds that annual pensionable compensation limit under California Government Code Section 7522.10(c) and (d) is not included in determining benefits or contributions.
- The 2017 calendar year PEPRA compensation limits are as follows:
 - For employees enrolled in Social Security – increased to \$118,775;
 - For employees not enrolled in Social Security – increased to \$142,530.
- The 2016 calendar year PEPRA compensation limits are as follows:
 - For employees enrolled in Social Security – increased to \$117,020.
 - For employees not enrolled in Social Security – increased to \$140,424.

Moraga-Orinda Fire District

Compensation Earnable Applicable Law for Legacy Members

"Compensation earnable" does not include, in any case, the following:

"Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise." (G.C. § 31461(b)(3).)

Pursuant to CCCERA's "Compensation Earnable Policy"³, Section III.D. "Compensation Earnable" excludes payments for additional services rendered outside of normal working hours.

Pay received for "overtime" is not included in "compensation earnable." To be included, the time for which compensation is received:

- (1) must be the normal working hours set forth in the applicable employment agreement;
- (2) must be required by the employer to be worked by the employee (as distinguished from voluntarily worked); and
- (3) must be ordinarily worked by all others in the same grade or classification at the same rate of pay during the FAS period.

Pay that will be reviewed under these conditions is often described as "standby" and "on-call." Employers must report to CCCERA as pensionable only that pay for work that is required of and ordinarily served by everyone in the same grade or classification, at the same rate of pay.

Pensionable Compensation Applicable Law for PEPRA members

PEPRA defines "pensionable compensation" as follows:

"Pensionable compensation" of a new member of any public retirement system means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules.

Compensation that has been deferred shall be deemed pensionable compensation when earned rather than when paid. (Gov. Code Section 7522.34(a) and (b).)

³ <https://www.cccera.org/governance-and-policies>

Moraga-Orinda Fire District

PEPRA excludes from "pensionable compensation" the following:

- (1) Any compensation determined by the board to have been paid to increase a member's retirement benefit under that system.
- (2) 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.
- (3) Any one-time or ad hoc payments made to a member.
- (4) 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.
- (5) Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid.
- (6) Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.
- (7) Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniforms.
- (8) Compensation for overtime work, other than as defined in Section 207(k) of Title 29 of the United States Code [FLSA].
- (9) Employer contributions to deferred compensation or defined contribution plans.
- (10) Any bonus paid in addition to the compensation described in subdivision (a) [of G.C. § 7522.34].
- (11) Any other form of compensation a public retirement board determines is inconsistent with the requirements of subdivision (a) [of G.C. § 7522.34].
- (12) Any other form of compensation a public retirement board determines should not be pensionable compensation. (Gov. Code Section 7522.34(a) and (b).)

Pursuant to CCCERA's "Pensionable Compensation Policy"⁴, Section III:

The CCCERA Board has determined that "Pensionable Compensation" includes "base pay." Pensionable compensation does not include any pay other than base pay, in accordance with Govt. Code Sections 7522.34(c)(11) and (12).

Pensionable compensation (GC 31461 and 7522.34) is to be reported to the retirement system and the corresponding contributions are to be reported to the retirement system.

⁴ <https://www.cccera.org/governance-and-policies>

Moraga-Orinda Fire District

Publicly Available Pay Schedule

Pursuant to CCCERA's Policy On Determining "Pensionable Compensation"⁵ Under PEPR A For Purposes Of Calculating Retirement Benefits, a "publicly available pay schedule" must meet all of the following requirements:

1. *Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;*
2. *Identifies the position title for every employee position;*
3. *Shows the pay rate for each identified position, which may be stated as a single amount or as multiple amounts within a range;*
4. *Indicates the time base, including, but not limited to, whether the time base is hourly daily, bi-weekly, monthly, bi-monthly, or annually;*
5. *Is posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's internet website;*
6. *Indicates an effective date and date of any revisions;*
7. *Is retained by the employer and available for public inspection for not less than five years; and*
8. *Does not reference another document in lieu of disclosing the pay rate.*

Pension Benefit Review

- a. Compensation Policies
 - i. *Policy On Determining "Compensation Earnable Under Assembly Bill 197 For Purposes Of Calculating Retirement Benefits For "Legacy" (Pre-PEPRA) Members – Adopted: 9/10/2014; GC 31461;*
 - ii. *Policy On Determining "Pensionable Compensation" Under PEPR A For Purposes Of Calculating Retirement Benefits - Adopted: 9/10/2014; GC 7522.34;*
 - iii. *Policy Regarding Assessment and Determination Of Compensation Enhancements – Adopted 11/1/2012, Amended: 3/8/2017; GC 31461(b)(1) and 7522.34(c)(1)*
- b. Retiree Return to Work Monitoring
 - i. GC 7522.56 Retired Persons; Service and Employment Restrictions
- c. Felony Forfeiture Monitoring and Notification – GC 7522.72(g) and GC 7522.74(g).

⁵ <https://www.cccera.org/governance-and-policies>

Moraga-Orinda Fire District

Policy on Internal Revenue Code Section 415 Compliance

As adopted on December 8, 2010 and amended on January 9, 2013 and July 11, 2018.

Tests Performed

In order to test the timeliness, reasonableness and accuracy of the pensionable compensation and contributions that have been reported to the retirement system, the test plan incorporated the following elements:

Accuracy of Payroll Information provided to CCCERA

- Calculated sample size of active MOFD members during the test used for pensionable payroll and contribution audit testing. The sample included twenty-six (26) members, of which twenty-one (21) members were Legacy and five (5) members were PEPRA with hire dates after January 1, 2013. Selected ten (10) of the sample members for reconciling timesheets to payroll system information.
- Timeframe and scope selected for the audit: January 2015 through December 2017. Using the random sample of active members during the period, MOFD payroll records and contributions (both employee and employer paid) were tested in the audit using the following target payroll periods – November 2015, April 2016, November 2016, and April 2017.
- MOFD's payroll preparation and contribution calculation and submission workflow were reviewed. CCCERA staff interviewed MOFD staff regarding their timekeeping practices, payroll preparation and contribution calculation and submission processes which were captured in a workflow document.
- The input files for CCCERA's pension administration system (CPAS) submitted by MOFD were reviewed for timeliness, accuracy and completeness.
- Contribution amounts were recalculated based on reported salaries for sample employees and compared to contribution amounts recorded in CPAS.
- Compensation items flowing into reported salaries were reviewed for pensionability.

Moraga-Orinda Fire District

- Reported pensionable compensation was compared to IRC compensation limits.
- Compared and reconciled salary and contribution data submitted to CCCERA to payroll records and receivables as posted by CCCERA's Accounting department.

Publicly Available Pay Schedule

- It was reviewed whether MOFD could provide a publicly available pay schedule as defined per CCCERA's Pensionable Compensation Policy.

Salaries in Accordance With Publicly Available Pay Schedules

- Salaries for MOFD sample employees were reviewed against MOFD's Employee Handbook, applicable memoranda of understanding, letters of understanding, employment agreements, and other applicable salary and pay documentation.

Enrollment of All Eligible Employees

- New member enrollment was reviewed for 2016 and 2017.

Pension Benefit Review

- The pension benefit calculations for a sample of three (3) retired members were reviewed for compliance with all applicable laws, Board of Retirement regulations and CCCERA policies and practices. Two (2) benefit calculations were reviewed for calendar year 2016 and one (1) for 2017.
- The 2017 IRC Section 415 limits calculated by CCCERA for MOFD retirees were reviewed and compared to pension benefit payments made.

Retiree Return to Work Monitoring

- It was reviewed whether MOFD's retirees that returned to work for fiscal years 2015-2016 and 2016-2017 were in compliance with the 960 hour fiscal year limit.

Forfeiture of Benefits Earned or Accrued from the Commission of a Felony

- It was reviewed whether CCCERA received a notification from MOFD regarding a potential felony forfeiture and whether this notification was processed appropriately if applicable.

Moraga-Orinda Fire District

MOFD Payroll and Reporting Process

- CCCERA staff interviewed MOFD staff regarding their timekeeping practices, payroll preparation and contribution calculation and submission processes which were captured in a workflow document.
- MOFD uses different systems for timekeeping and payroll preparation. Timekeeping is handled by TeleStaff and payroll is handled by ADP. As these systems are not linked, the district's payroll process includes a manual keying process of TeleStaff data into ADP. In addition, not all timekeeping data is tracked in Telestaff. Hourly employees always fill out paper timesheets and some timekeeping data for non-exempt administrative staff is also tracked on paper timesheets. The data is manually keyed into ADP with the TeleStaff data. ADP then automatically creates the input files for CCCERA's pension administration system. The manual nature of this process is the reason that a comparison of TeleStaff and timesheet data to payroll system information was performed for a small sample group.

Input File Review

CCCERA receives four (4) types of input files from MOFD:

- I29 files to report demographic changes including new hires, terminations, name changes, address changes, position changes, bargaining unit changes or leaves of absence.
- I30 files to report pensionable compensation, employee contributions, and employer contributions.
- I30 adjustment files to report changes to previously reported pensionable compensation, employee contributions, and employer contributions.
- Deductions file: used to report deductions for health care, retiree support group fees or credit union deductions from individual retiree benefit payments to CCCERA. This file does not update CPAS and was therefore not included in the review.

A timeline was created for MOFD's input files, including I29, I30 and adjustment files, which are used to update CPAS and reviewed for timeliness. In addition, a sample of I30 files and all I29 and adjustment files were reviewed for accuracy.

Moraga-Orinda Fire District

Timeliness:

Table 1: Receipt dates of input files for January through April 2017

MOFD	2017	Jan	Feb	Mar	Apr
Due Date		2/10/2017	3/10/2017	4/10/2017	5/10/2017
Demographic Change	I029	2/6/2017	3/8/2017	4/11/2017	5/5/2017
Standard file	I030	2/6/2017	3/8/2017	4/11/2017	5/5/2017
Variance in Days		-4	-2	1	-5

Table 2: Receipt dates of input files for May through August 2017

MOFD	2017	May	Jun	Jul	Aug
Due Date		6/9/2017	7/10/2017	8/10/2017	9/8/2017
Demographic Change	I029	6/6/2017	7/7/2017	8/7/2017	
Standard file	I030	6/6/2017	7/7/2017	8/7/2017	9/11/2017
Variance in Days		-3	-3	-3	3

Table 3: Receipt dates of input files for September through December 2017

MOFD	2017	Sep	Oct	Nov	Dec
Due Date		10/10/2017	11/10/2017	12/8/2017	1/10/2018
Demographic Change	I029			12/8/2017	1/10/2018
Standard file	I030	10/4/2017	11/7/2017	12/8/2017	1/10/2018
Variance in Days		-6	-3	0	0

2017

- All submissions in 2017 were timely with the exception of the March and August submissions which were one (1) and three (3) days late respectively.

Moraga-Orinda Fire District

Table 4: Receipt dates of input files for January through April 2016

MOFD	2016	Jan	Feb	Mar	Apr
Due Date		2/10/2016	3/10/2016	4/8/2016	5/10/2016
Demographic Change	I029	2/3/2016	3/3/2016	4/12/2016	5/5/2016
Standard file	I030	2/3/2016	3/3/2016	4/12/2016	5/5/2016
Variance in Days		-7	-7	4	-5

Table 5: Receipt dates of input files for May through August 2016

MOFD	2016	May	Jun	Jul	Aug
Due Date		6/10/2016	7/8/2016	8/10/2016	9/9/2016
Demographic Change	I029	6/8/2016	7/7/2016	8/5/2016	9/8/2016
Standard file	I030	6/8/2016	7/7/2016	8/5/2016	9/8/2016
Variance in Days		-2	-1	-5	-1

Table 6: Receipt dates of input files for September through December 2016

MOFD	2016	Sep	Oct	Nov	Dec
Due Date		10/10/2016	11/10/2016	12/9/2016	1/10/2017
Demographic Change	I029	10/6/2016	11/8/2016	12/7/2016	1/6/2017
Standard file	I030	10/6/2016	11/8/2016	12/7/2016	1/6/2017
Variance in Days		-4	-2	-2	-4

2016

- All submissions in 2016 were timely with the exception of the March submission which was four (4) days late.

Moraga-Orinda Fire District

Accuracy of Input Files

General I29 Observations:

All entries from the I29s between January 2016 and May of 2018 were compiled and examined.

- It was observed that eighteen (18) employees out of sixty-three (63) employees shown as active in CPAS have blank job codes. Twelve (12) of these employees also have blank job titles in CPAS. These employees became members of CCCERA between 2003 and 2018.
- The publicly available salary schedule shows that MOFD does have job codes which appear to be 4 digits and therefore fit within the reporting format for input files to CPAS.
- MOFD sends an I29 every month that contains a list of all employees with updates in certain key fields (such as Status Change Date, Status, Reason Code or Demographic Update indicator) only if something changes.
- The fields for "Job Title" and "Bargaining Unit" are always left blank. They need to at minimum contain a "*" to update CPAS.
- It was observed that between January 2016 and May 2018 only two (2) reason codes were used for status updates. These codes are ENR=Enrollment and RFL=return from leave. RFL was used only a single time.
- For the employee who had the RFL entry, the previous entry was a non-specified status update without reason code. This means that CCCERA would not be able to tell from the data reported if the member was on a contributing or non-contributing leave. This could impact a member's ability to purchase service credit for non-contributing leaves of absence.
- The only other observed entries on the I29s were address changes.
- No reported termination entries were observed. CCCERA's termination directory shows three terminations since January 1, 2016, one termination for each year for 2016, 2017 and 2018 (as of May 2018).
- No reported position change, name changes or leave of absence entries were observed.
- Based on the observation that no terminations were submitted at least since January 1, 2016 the list of active MOFD employees from CPAS was reviewed and compared to the most current I29 which lists all MOFD employees with current payroll. This review, including a review of the termination directory found that five (5) members shown as active in CPAS have separated from MOFD. The terminations were either confirmed by the member or MOFD.

Moraga-Orinda Fire District

- This review has also revealed one employee with a different last name in the I29 file compared to what CPAS has recorded.

District Response:

The District agrees and will correct.

General I30 and Adjustment File Observations:

- The I30 and adjustment files are correct and complete.
- Note that the last adjustment file received and processed was for February 2016. It was stated during the interview that the payroll process is performed in a way that corrections do not become necessary.

District Response:

No response required.

Summary

MOFD is not reporting all information as required by CCCERA Board regulations and the employer guide. It is the employer's obligation to report its compensation and contributions in substance and form as stated in the requirements.

District Response:

The District agrees and will correct.

CCCERA Compliance Response:

This is a follow up action item. The District is to submit an I29 File with the requested updates to CCCERA within 120 days of the date of this report in order to amend and update the member data indicated in the audit report.

Contributions Review

- CCCERA staff recalculated the pension contributions remitted to CCCERA and compared the result to actual contribution data. The pensionable compensation components were identified along with the corresponding employer and employee

Moraga-Orinda Fire District

contributions. This data was then reconciled to the pensionable compensation and contribution reports uploaded into CPAS. Variances were identified between each source to system of record reconciliation.

Data categories reviewed are:

- Total Employee Contribution Amount
 - Employee Subvention Amount
 - Subvention Factor for Employee Subvention of Employer Basic Contributions
 - Basic Employee Contributions
 - Basic Employee Contribution Rate
 - Employee COLA
 - Employee COLA Rate
 - Total Employer Contributions
 - Basic Employer Contributions
 - Basic Employer Contribution Rate minus Subvention Factor
 - Employer COLA
 - Employer COLA Rate
 - Non-Refundability Factor
-
- No variances were observed between the recalculated contribution amounts and the submitted contribution amounts. All contribution amounts reconciled to CPAS data.
 - Two instances of employees with no data were observed in April 2016 and April 2017 for which data was expected. These observations were caused by a non-contributing leave of absence and a termination not being reported to CCCERA via I29 file which points back to missing I29 entries. MOFD has the obligation to report leave of absences and terminations to CCCERA.

Timekeeping Sample Review

The review of the payroll preparation workflow showed a manual data entry process to transfer data from the timekeeping system Telestaff and paper timesheets to the payroll system ADP. To review whether the manual keying of data resulted in errors, an end-to-end review for the above sample has been performed.

Moraga-Orinda Fire District

Observations and Explanations:

- ADP and Telestaff totals for regular hours do not match. MOFD has explained that regular hours are not tracked in Telestaff and are not manually entered into ADP. Rather ADP has a pre-loaded annualized monthly average. Most employees are salaried and use negative reporting, meaning only accrual use, overtime and similar are transferred from Telestaff to ADP.
- No variances were observed for overtime, vacation, admin leave or sick time pay.
- For new hires it was observed that their timekeeping and payroll looked different from the more seasoned employees in that fewer regular hours are logged in Telestaff and no pre-loaded regular amounts are shown in the ADP payroll registers.
- MOFD has explained that new hires must work five (5) calls before they receive an offer and are hourly employees during that time.
- Telestaff makes a distinction between mandatory overtime and regular/other overtime for fire suppression staff; for payroll purposes both categories are lumped together as one overtime amount in ADP.
- The nature of overtime, voluntary versus mandatory, is a factor when determining whether overtime is pensionable.

The MOUs show the following regarding overtime:

MOU for Fire Captains, Engineers and Firefighters, January, 2011 to June 30, 2018:

SECTION 6 - OVERTIME

6.1 Overtime. Overtime is authorized time outside the normal work schedule. Overtime shall be compensated for at the rate of one and one-half (1-1/2) times the employee's regular rate of pay.

Overtime for permanent employees is earned and credited in a minimum of one-sixth hour increments.

6.2 Overtime Recall List. The District and the Union have agreed to specialized lists to be used when recalling for strike teams, emergency recall, daily minimum staffing and mandatory overtime.

Moraga-Orinda Fire District

MOU for general administrative staff, July 1, 2014 to June 30, 2018:

SECTION 7 – OVERTIME and Compensatory Time:

7.1 **Overtime:** Overtime is any authorized work performed in excess of forty (40) hours per week or eight (8) hours per day. Overtime for “40-10” shift employees is any work performed beyond ten (10) hours per day or forty (40) hours per week. Overtime for the 9/80 work schedule is any work over nine (9) hours on the nine (9) hour days, over eight (8) hours during the eight (8) hour day, and over eighty (80) hours in the two (2) week 9/80 work schedule. All overtime shall be compensated for at the rate of one and one-half (1-1/2) times the employee’s regular rate.

Overtime for permanent employees is earned and credited in a minimum of one-half (1/2) hour increments and is compensated by either pay or compensatory time off.

MOU for Battalion Chiefs, July 1, 2012 to June 30, 2018:

E. Overtime Compensation:

Battalion Chiefs will be compensated for hours worked outside of their regular work schedule at one and one-half times the top-step Captain-Paramedic I rate.

Observations:

- Mandatory overtime is only mentioned in the MOU for fire captains, engineers and firefighters.
- There is no mention of any overtime in the Fire Chief’s employment agreement.
- All above-cited MOUs appear to state that overtime is time worked outside of regular working schedules.
- The MOUs do not clearly state whether overtime was worked by all members of the same classification equally and paid at the same rate of pay.
- MOFD does not currently report any overtime as pensionable to CCCERA. Based on the fact that the MOUs clearly stated that overtime is outside of the regular work schedule, this appears to be correct.

District Response:

The District concurs that overtime is handled properly in our records.

Moraga-Orinda Fire District

CCCERA Compliance Response:

Based on the employer audit and the review of the sample employees contained therein, CCCERA concurs.

Payroll Reporting – Pensionable Compensation and Contribution Review

Pay Codes:

- MOFD has historically used forty-two (42) different pay codes.
- MOFD’s Payroll Technician has confirmed that only numerical pay codes are used at this time and no alpha or alpha-numerical codes exist in their payroll system ADP.
- There are twenty-six (26) alpha or alpha-numerical codes on the historically used code list. Only sixteen (16) are solely numerical and understood to be active. The Payroll Technician stated that the others are likely from a previous payroll system.
- F67 - Fire Recall & Standby @ 5% appears to be the only code related to standby pay. This code has not been used since 2000.
- A review of all in use codes reported to CCCERA as pensionable shows that no overtime, on-call, standby or similar compensation appears to be reported as pensionable.
- A review of V07 - Vacation Pay Off Subject to Retirement (1 Year Accruals) and V08 - Vacation Sale - Buy Back (once a year) compensation reporting by MOFD to CCCERA between January 1, 2014 and December 31, 2017 showed the following:
 - Between January 1, 2014 and December 31, 2017, five (5) instances of each V07 and V08 were reported by MOFD to CCCERA.
 - All V07 reporting ceased in September 2014.
 - With the exception of Sample Employee ID #1 who had one instance in February of 2017, all V08 reporting ceased in December of 2015.
 - No other codes for vacation buy backs or terminal pay observed.
 - Pursuant to CCCERA’s “Compensation Earnable Policy”⁶, Section III.B: Cash payment for unused leave will be included only to the extent it does not exceed that which may be earned and payable in each 12-month period during the final average salary period.

⁶ <https://www.cccera.org/governance-and-policies>

Moraga-Orinda Fire District

Compensation Limits

Table 7: IRC Compensation Limits for 2016 and 2017

	2016	2017
PEPRA in Social Security	\$117,020	\$118,775
PEPRA not in Social Security	\$140,424	\$142,530
Legacy	\$265,000	\$270,000

MOFD employees did not participate in Social Security in 2016 or 2017.

Observations:

- No legacy or PEPRA employee exceeded the compensation limits as shown above in total compensation in 2016 or 2017.

District Response:

The District is currently using 16 pay codes. CCCERA should update their system and pay codes to reflect the current District practice. The District concurs that no employees exceeded the compensation limits in 2016 or 2017.

CCCERA Compliance Response:

CCCERA's pension administration system archives previously reported compensation and pensionable differential compensation in order to maintain accurate member pensionable compensation and pension contribution histories. When CCCERA is informed by an employer that a differential compensation will no longer be paid to members or, due to a change in the employer's payroll administration may no longer be pensionable compensation, the differential is flagged as such in CCCERA's pension administration system. It was noted in the audit report that CCCERA Compliance has the understanding that sixteen (16) numerical pay codes are active for the District in CCCERA's pension administration system and therefore concurs with the District response.

Moraga-Orinda Fire District

Receivables Review

MOFD pre-pays its employer contributions on an annual basis. Therefore monthly amounts reviewed and shown in the tables below are employee contribution amounts only. The annual employer contribution calculations are reviewed separately.

Employee Contribution Payment Timeliness

2017

- The contribution payments were timely for October and November of 2017 and late for all other months.
- For the late months the files were received between one (1) and eleven (11) days after the due date.

2016

- The contribution payments were timely for January, February, April and December of 2016 and late for all other months.
- For the late months the files were received between one (1) and six (6) days after the due date.

Employee Contribution Accuracy

2017

- The January 2017 payment was adjusted to account for the \$14,995.71 from the previous month, see difference in tables below.
- The payments for February, March, June, July, August and September were accurate.
- Immaterial rounding differences between -\$0.01 and \$0.02 were observed for April, May and October of 2017.
- In November 2017 an overpayment of \$996.82 was observed accompanied by a corresponding underpayment of \$996.82 in December. This over- and underpayment was due to an early submitted final contribution for a terminated member.

2016

- In November 2016 CCCERA received the contribution amounts and input files for November and December 2016.
- All employee contribution payments until November 2016 were accurate.
- In November 2016, MOFD submitted an additional amount of \$168,784.75. This amount represented estimated employee contributions for December 2016.
- In December 2016 the actual incurred employee contributions amounted to \$153,789.04 which left an overpayment of \$14,995.71.

Moraga-Orinda Fire District

District Response:

The District agrees with the above noted items. The District was never notified that contribution payments were submitted late. The District will make all future contribution payments on time.

CCCERA Compliance Response:

This is a follow up action item. The Board of Retirement Regulations IV. Contributions and Reporting, 2. Due Dates provide CCCERA employers with the direction that pensionable payroll and contribution reports as well as contribution payments shall be due no later than the tenth of each month for the previous month's payroll and also indicates that a late reporting penalty can be levied. The Board of Retirement regulation regarding due dates was most recently communicated to all CCCERA employers on December 18, 2015 in CCCERA's employer memorandum "*Employer & Employee Contribution Reporting – CCCERA Secure File Transfer Site*" and then subsequently in the CCCERA Participating Employer Handbook.

Table 8: Timeliness and Accuracy Review January through April 2017

MOFD	Jan	Feb	Mar	Apr
Due Date	2/10/2017	3/10/2017	4/10/2017	5/10/2017
Date Payment Received	2/17/2017	3/13/2017	4/14/2017	5/11/2017
Payment Amount	\$147,349.39	\$163,147.14	\$146,637.59	\$146,554.22
Amount Expected	\$162,345.10	\$163,147.14	\$146,637.59	\$146,554.23
Variance in Days	7	3	4	1
Variance in \$	-\$14,995.71	\$0.00	\$0.00	-\$0.01

Table 9: Timeliness and Accuracy Review May through August 2017

MOFD	May	Jun	Jul	Aug
Due Date	6/9/2017	7/10/2017	8/10/2017	9/8/2017
Date Payment Received	6/13/2017	7/21/2017	8/18/2017	9/11/2017
Payment Amount	\$152,911.89	\$144,389.66	\$164,139.28	\$157,397.78
Amount Expected	\$152,911.90	\$144,389.66	\$164,139.28	\$157,397.78
Variance in Days	4	11	8	3
Variance in \$	-\$0.01	\$0.00	\$0.00	\$0.00

Moraga-Orinda Fire District

Table 10: Timeliness and Accuracy Review September through December 2017

MOFD	Sep	Oct	Nov	Dec
Due Date	10/10/2017	11/10/2017	12/8/2017	1/10/2018
Date Payment Received	10/11/2017	11/9/2017	12/8/2017	1/11/2018
Payment Amount	\$171,302.71	\$157,930.63	\$178,903.05	\$156,946.02
Amount Expected	\$171,302.71	\$157,930.61	\$177,906.23	\$157,942.84
Variance in Days	1	-1	0	1
Variance in \$	\$0.00	\$0.02	\$996.82	-\$996.82

Table 11: Timeliness and Accuracy Review January through April 2016

MOFD	Jan	Feb	Mar	Apr
Due Date	2/10/2016	3/10/2016	4/8/2016	5/10/2016
Date Payment Received	2/9/2016	3/10/2016	4/13/2016	5/10/2016
Payment Amount	\$153,132.65	\$151,052.19	\$132,408.48	\$132,046.57
Amount Expected	\$153,132.65	\$151,052.19	\$132,408.48	\$132,046.57
Variance in Days	-1	0	5	0
Variance in \$	\$0.00	\$0.00	\$0.00	\$0.00

Table 12: Timeliness and Accuracy Review May through August 2016

MOFD	May	Jun	Jul	Aug
Due Date	6/10/2016	7/8/2016	8/10/2016	9/9/2016
Date Payment Received	6/13/2016	7/11/2016	8/11/2016	9/13/2016
Payment Amount	\$141,959.74	\$134,597.66	\$149,466.67	\$142,508.50
Amount Expected	\$141,959.74	\$134,597.66	\$149,466.67	\$142,508.50
Variance in Days	3	3	1	4
Variance in \$	\$0.00	\$0.00	\$0.00	\$0.00

Moraga-Orinda Fire District

Table 13: Timeliness and Accuracy Review September through December 2016

MOFD	Sep	Oct	Nov	Dec
Due Date	10/10/2016	11/10/2016	12/9/2016	1/10/2017
Date Payment Received	10/11/2016	11/14/2016	12/15/2016	12/15/2016
Payment Amount	\$157,690.65	\$152,080.69	\$337,569.50	\$0.00
Amount Expected	\$157,690.65	\$152,080.69	\$168,784.75	\$153,789.04
Variance in Days	1	4	6	-26
Variance in \$	\$0.00	\$0.00	\$168,784.75	-\$153,789.04

Employer Contribution True-up

Table 14: Fiscal Year 2015-2016 True-Up Calculation

Actual Contribution Paid in FY 15-16	\$4,063,037.26
NET Contribution 15-16 (Due on Actual PR)	\$4,169,710.26
Pre-Paid Amount FY 15-16	\$3,400,000.00
Over Payment FY 14-15	\$150,766.66
Total prepayments	\$3,550,766.66
Adjusted Prepayment (w/o discount)	\$3,665,875.14
Over(Under) Paid	(\$503,835.12)
Discount Factor	1.0388
Amount Over(Under)	(\$523,395.77)

- Payment of the fiscal year 2015-2016 underpayment in the amount of \$523,395.77 was included in the pre-payment for FY 2016-2017 which was received on July 21, 2016.

Moraga-Orinda Fire District

Table 15: Fiscal Year 2016-2017 True-Up Calculation

Actual Contribution Paid in FY 16-17	\$4,359,775.30
NET Contribution 16-17 (Due on Actual PR)	\$4,505,485.05
Pre-Paid Amount FY 16-17	\$4,800,000.00
Over Payment FY 15-16	(359,581.40)
Total prepayments	\$4,440,418.60
Adjusted Prepayment (w/o discount)	\$4,584,367.75
Over(Under) Paid	78,882.70
Discount Factor	1.0388
Amount Over(Under)	81,945.20

- The overpayment amount of \$81,945.20 will be included as credit for the true-up calculation for fiscal year 2017-2018.

District Response:

It has been the practice of the District to annually true-up with CCCERA.

CCCERA Compliance Response:

Based on items reviewed for the employer audit, CCCERA concurs.

Publicly Available Pay Schedule Review

The most current effective July 1, 2017 pay schedule was available on MOFD's website. In addition, the employer was able to produce the preceding pay schedules applicable to the audit period upon request by CCCERA.

The schedules fulfill the requirements listed in the test standard.

District Response:

The District agrees its pay schedules are publicly available as required.

CCCERA Compliance Response:

Based on items reviewed for the employer audit, CCCERA concurs.

Moraga-Orinda Fire District

Salaries in Accordance With Publicly Available Pay Schedules

November 2015 and April 2016:

- The ADP payroll registry for three (3) employees showed a salary higher than expected based on the job title shown in CPAS.
- CPAS did not have job title information for five (5) sample employees. Therefore their salary could not be verified with CPAS data alone.

November 2016:

- In addition to the observations from the previous two months, two (2) new hires were included in the sample who did not have job titles in CPAS and therefore salary information could not be verified.

April 2017:

- In addition to the previous observations, one (1) more employee's job title did not match with the salary shown in the ADP payroll register when it previously matched.
- Further, one of the employees for whom CCCERA never received a job title, shows an increase in salary.

Follow-up:

- MOFD provided current job titles for all employees in question and documentation for some of the promotions, new hires and terminations.
- Based on this information all salary amounts could be verified and no variances were observed.
- However, it was observed that MOFD does not report all relevant data points to CCCERA which resulted in missing or not current job titles. This ties back to the I29 input file observations.

District Response:

The District agrees it pays its employees in accordance with publically available pay schedules. The District has submitted to CCCERA an updated I29 input file.

Moraga-Orinda Fire District

CCCERA Compliance Response:

Upon confirmation of receipt of the updated I29 input file, CCCERA's Member Services department will validate and verify the member data prior to import into CCCERA's pension administration system and circle back to the employer should any defect or data clarification be required.

Enrollment of all Eligible Employees

Observations:

2016

- CCCERA received five (5) I29 enrollment packets for four (4) members; one packet was a duplicate submission.
- CCCERA's new hire log shows that of the four (4) 2016 enrollments packets, three (3) were incorrectly executed as they were missing the witness signature on CCCERA Form 104.
- One enrollment packet was submitted with a copy of the inner system membership advice form used to establish reciprocity when CCCERA requires an original document.

2017

- CCCERA received one (1) new enrollment packet in 2017 for which the CCCERA Form 104 was not completed in the original enrollment packet. A completed packet has since been received.

District Response:

The District enrolls all eligible employees as required by CCCERA. The District will submit only original, completed membership documents with witness signatures.

CCCERA Compliance Response:

Based on items reviewed for the employer audit, CCCERA concurs.

Moraga-Orinda Fire District

Pension Benefit Review

The pension benefit calculations for the last three (3) retirees from MOFD were reviewed; two (2) for 2016, and one (1) for 2017. The review focused on the final average salary (FAS) period selected and compensation used in the calculation for sample members.

Observations:

- The review agreed with the FAS periods and the compensation used in the calculations for all three (3) members.

District Response:

The District concurs FAS periods and compensation are correctly reported to CCCERA.

CCCERA Compliance Response:

CCCERA concurs with respect to the retired members in the audit sample test.

Retiree Return to Work Monitoring

GC 7522.56, I.R.S. bona fide separation and normal retirement age rules

There are two ways retirees may return to work for a CCCERA participating employer: on an approved limited basis while receiving their pension, or by suspending their retirement to return to full time employment. The PEPRA 2013 “return to work” rules create a framework under which a retiree’s eligibility will be determined to be re-employed without having to be reinstated from retirement. The “return to work” rules affect new, deferred, and current employees.

The Board of Retirement Regulations Section VII Normal Retirement Age and Bone Fide Separations states the following:

Bona Fide Separation from Service

A) In order to comply with tax law restrictions on in-service distributions, a member who retires at an age younger than Normal Retirement Age, as defined herein, may not enter into an agreement, either oral or written, prior to the date the member's retirement commences, to be reemployed while retired by the same CCCERA employer, regardless of the length of

Moraga-Orinda Fire District

the member's break in service after retirement. The member must acknowledge in writing to CCCERA at the time of retirement that the member has been informed of these requirements and limitations on post-retirement employment and that no prearrangement to be reemployed while retired exists.

B) A member who retires at an age younger than Normal Retirement Age, as defined herein, must have at least a continuous 90-day break in service from the date of the member's last day of employment prior to being reemployed while retired by the member's prior CCCERA employer.

C) If a member is reemployed without compliance with subsections (A) and (B) above, the retired member's retirement benefits from CCCERA must cease as soon as practicable upon discovery by CCCERA and will not resume until the member has a bona fide separation from service or reaches Normal Retirement Age, whichever occurs first.

Employer Certification and Determination – Submission of CCCERA Form 213 Certification for Post-Retirement Employment.

- No pre-arrangement for post-retirement re-hire;
- Reinstatement from retirement requirement if rehired by an employer in the same public retirement system from which the retiree receives the benefit;
- Waiting period between retirement date and rehire of a retiree (with some exceptions for Safety Members and special circumstance General Members);
- Fiscal Year Limitations – 960 Hours;
- Limited duration of the return to work (7522.56(c).);
- Compensation Limits;
- Employer certification and approval by the Board of Supervisors (7522.56(f)(1).);
- Retiree certification of non-receipt of unemployment insurance compensation (7522.56(e).).

Observations:

MOFD confirmed that no retirees returned to work for the district.

District Response:

The District concurs that no retirees returned to work for the District. No follow-up action is required.

Moraga-Orinda Fire District

CCCERA Compliance Response:

Based on items reviewed for the employer audit, CCCERA concurs.

Forfeiture of Benefits Earned or Accrued from the Commission of a Felony

Test Standard

Reporting Requirements For Public Employers Under PEPRA require the public agency that employs or employed a public employee who was convicted of a job related felony must notify CCCERA of the conviction within 90 days of the conviction. (Govt. Code §§ 7522.72(f) and 7522.74(f).).

Observations:

The review indicated that CCCERA had not received any notice from the employer regarding any employee of MOFD that would have been subject to the felony conviction and benefit forfeiture provisions under government statute. MOFD confirmed that they knew of no such employee.

District Response:

The District concurs that we are unaware of any employee who was convicted of a job related felony. No follow-up action is required.

CCCERA Compliance Response:

Based on items reviewed for the employer audit, CCCERA concurs.

Moraga-Orinda Fire District

Follow-Up Items

The following items were noted during the course of the review and require follow-up by the District and CCCERA:

1. **Pensionable Compensation and Contribution Reporting:** CCCERA provides the following recommendations:
 - i. Setting up a meeting between CCCERA's Member Services Department and MOFD's administrative staff to review the input file format and information reported. Specifically, MOFD must report demographic changes including new hires, terminations, name changes, address changes, position changes, bargaining unit changes and leaves of absence. For leaves of absence it must be specified whether the leaves are contributing or non-contributing by entering the appropriate reason code in the I29 input file. Note that CCCERA's Participating Employer Handbook which covers these items is available on CCCERA's website⁷.
 - ii. Providing an I29 file to add current job codes and titles for the eighteen (18) employees who do not have data in these fields in CCCERA's pension administration system. In addition, the file should include termination information for the five (5) employees identified as terminated that are still shown as active in CPAS, a name change transaction for the identified employee and updated position data for the employees identified in the salary review. Furthermore, it is recommended that all demographic data for active employees be reviewed and submitted since the audit was limited to data submissions between January 1, 2016 and June 30, 2018.
 - iii. Review the reporting of vacation buy-backs and terminal pay items reported under V07 and V08 until the end of 2015. Was there a change in MOFD's administrative policy or the MOUs that caused the reporting of these pay types to come to an end? Please review the applicable MOU's and vacation buy-back provisions and clarify how the vacation buy-back program is administered in consideration of CCCERA's Compensation Earnable Policy.

⁷ <https://www.cccera.org/employers>

Moraga-Orinda Fire District

District Response:

The District attended a follow-up meeting with CCCERA on September 19, 2018. The District is in the process of updating the I29 file and will submit an updated I29 file to CCCERA as soon as the update is complete.

In 2014, the District eliminated vacation buy-back benefits for all employees except two. The District appreciates the Employer Audit and has incorporated the District's responses into the Employer Audit report. None of the items noted have resulted in any adverse financial implications to District financial information and are not deemed to be material weaknesses.

CCCERA Compliance Response:

1. As of November 16, 2018 CCCERA did not receive an updated I29 file. An updated I29 file is to be submitted to address the observation that demographic information including employee position titles in order for the member records to be updated in CCCERA's pension administration system.
2. It is acknowledged that the district eliminated the vacation buy-back benefit for all employees with the exception of two which were the basis of the observation noted during the audit.
3. The audit of the District was conducted pursuant to Government Code Section 31543 Audit of County or District by Board which states *"The board may audit a county or district to determine the correctness of retirement benefits, reportable compensation, and enrollment in, and reinstatement to, the system. During an audit, the board may require a county or district to provide information, or make available for examination or copying at a specified time and place, books, papers, data, or records, including, but not limited to, personnel and payroll records, as deemed necessary by the board. (Added by Stats. 2012, Ch. 296 (AB 340), Sec. 31)"*

CCCERA reviewed the District's response and cannot attest to the District's assertion as the scope of the audit as provided for under Government Code Section 31543 did not include the audit of the District's financial information. The focus of the scope of the audit was on the member information reported by the District to CCCERA.

Moraga-Orinda Fire District

District Response – Preliminary Audit Report



Moraga-Orinda Fire District

August 20, 2018

Wrally Dutkiewicz
Compliance Officer
Contra Costa County Employees' Retirement Association
1355 Willow Way, Suite 221
Concord, CA 94520

RE: Preliminary Report – Moraga-Orinda Fire District Pensionable Compensation, Contribution and Reporting Audit

Dear Mr. Dutkiewicz,

I reviewed the preliminary audit report completed by Contra Costa County Employees' Retirement Association (CCCERA). A written response to the Follow-Up Items is required and is submitted as follows:

- i. Meeting between CCCERA and Moraga-Orinda Fire – The District would like to meet with CCCERA to review the input file format and information reported.
- ii. Providing an I29 file – The District agrees to provide the I29 file as recommended
- iii. The District agrees to provide additional information regarding vacation buy-back and terminal pay.

Please contact me if you need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Winnacker".

Dave Winnacker
Fire Chief



Meeting Date
12/12/18
Agenda Item
#12

MEMORANDUM

Date: December 12, 2018
To: Board of Retirement
From: Wrally Dutkiewicz
Compliance Officer
Subject: Final Employer Audit Report Dated November 30, 2018 –
Contra Costa County Department of Information Technology

Background:

Between April and August 2018 an employer audit was performed on the Contra Costa County Department of Information Technology (DoIT). An onsite review was performed at the DoIT office on July 2, 2018.

The employer audit scope items include the following:

- Accuracy of Payroll Information Provided to CCCERA;
- Salaries In Accordance with Publicly Available Pay Schedules;
- Enrollment of All Eligible Employees;
- Pension Benefit Review:
- Internal Revenue Code 415 Limits;
- Retiree Return to Work Monitoring; and
- Forfeiture of Benefits Earned or Accrued from the Commission of a Felony.

Follow Up Items:

There were no follow up action items noted in the audit report for DoIT.

Employer Audit:
Contra Costa County
Department of
Information
Technology

*Final Audit Report
dated 11/30/2018
prepared by:*



Table of Contents

Final Audit Transmittal Letter	1
Preliminary Audit Transmittal Letter	3
Background	5
Scope	7
Findings & Observations	10
Accuracy of Payroll Information provided to CCCERA	10
DoIT Payroll and Reporting Process	17
Contributions Review	18
Payroll Reporting – Pensionable Compensation and Contribution Review	19
Compensation Limits	19
Publicly Available Pay Schedule Review	20
Salaries in Accordance With Publicly Available Pay Schedules	20
Enrollment of all Eligible Employees	20
Pension Benefit Review	21
Internal Revenue Code Section 415 Compliance	21
Retiree Return to Work Monitoring	22
Forfeiture of Benefits Earned or Accrued from the Commission of a Felony	24
Follow-Up Items	25
County Response	26

Contra Costa County Department of Information Technology

Final Audit Transmittal Letter



November 30, 2018

David Twa
Contra Costa County Administrator
651 Pine St.
10th Floor
Martinez, CA 94553

Re: Final Employer Audit Report – Contra Costa County Department of Information Technology (DoIT) Pensionable Compensation, Contribution and Reporting Audit

Dear Mr. Twa,

Enclosed is the final audit report of the Contra Costa County Department of Information Technology (DoIT) pensionable compensation, contribution and reporting audit, conducted pursuant to Government Code Section 31543. I want to thank you and all DoIT staff for their assistance in gathering all the records and documents and making them readily available during this audit. This cooperation was greatly appreciated and allowed for the audit to be completed in an efficient manner.

There were no “*Follow-Up Items*” noted for the department to follow up on. During the audit CCCERA Compliance staff found the department’s record keeping and document preparation to be efficient, accessible, and with clarity which facilitated the analysis of payroll records and member data during the audit.



Contra Costa County Department of Information Technology

This report will be placed on the agenda and will be presented to the CCCERA Board of Retirement on its Wednesday December 12th, 2018 meeting.

I appreciate the attention and cooperation of DoIT's payroll and human resources staff and the courtesy that they extended to CCCERA compliance staff during the audit. Should you wish to discuss or have any questions regarding the items reviewed and the observations contained within this report, please contact me at 925-521-3960.

Best regards,



Wrally Dutkiewicz
Compliance Officer

Cc: Marc Shorr, Chief Information Officer
Joanne Buenger, Deputy Director DoIT
Lisa Driscoll, Finance Director

Contra Costa County Department of Information Technology

Preliminary Audit Transmittal Letter



October 25, 2018

David Twa
Contra Costa County Administrator
651 Pine St.
10th Floor
Martinez, CA 94553

Re: Preliminary Report – Contra Costa County Department of Information Technology (DoIT)
Pensionable Compensation, Contribution and Reporting Audit

Dear Mr. Twa,

Enclosed is the preliminary audit report of the Contra Costa County Department of Information Technology (DoIT) pensionable compensation, contribution and reporting audit, conducted pursuant to Government Code Section 31543. I want to thank you and all DoIT staff for their assistance in gathering all the records and documents and making them readily available during this audit. This cooperation was greatly appreciated and allowed for the audit to be completed in an efficient manner.

The *Preliminary Audit Report* is enclosed for your review. I would direct your attention to the “*Observations*” and “*Follow-Up Items*” sections of the report. A written response from DoIT pertaining to the “*Follow-Up Items*” indicated in the report should be sent to CCCERA within four weeks of the date noted on the report. This response will be included in the “*Final Report*” which will be submitted to CCCERA’s Board of Retirement.



Contra Costa County Department of Information Technology

In addition, I would like to extend my gratitude to DoIT's payroll and human resources staff and the courtesy that they extended to CCCERA compliance staff during the review. Should you wish to discuss or have any questions regarding the items reviewed and the observations contained within this report, please contact me at 925-521-3960.

Best regards,



Wrally Dutkiewicz
Compliance Officer

Cc: Marc Shorr, Chief Information Officer
Joanne Buenger, Deputy Director DoIT
Lisa Driscoll, Finance Director

Contra Costa County Department of Information Technology

Background

The Contra Costa County Employees' Retirement Association (CCCERA) is a public employee retirement system that was established by Contra Costa County on July 1, 1945, and is administered by the Board of Retirement (Board) to provide service retirement, disability, death, and survivor benefits for Contra Costa County (County) employees and 16 other participating agencies under the California State Government Code, Section 31450, et. seq. (County Employees Retirement Law of 1937 or CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA).

CCCERA administers the retirement benefits for the employees of Contra Costa County and participating District employers. Participating employers within the CCCERA retirement system transmit payroll information and contributions to fund the benefits for their employees. CCCERA sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits when needed.

Retirement allowances are computed in accordance with statute using three factors: years of service, age at retirement, and final compensation. For Legacy (pre-PEPRA) members, final compensation is defined as the highest average annual compensation earnable (as defined in G.C. Section 31461) by a member during the last one or three consecutive years of employment depending on the member's Tier, unless the member elects a different period with a higher average. For PEPRA members, final compensation is defined as the highest average annual pensionable compensation (as defined in G.C. Section 7522.34) earned by the member during a period of 36 consecutive months.

The employer's knowledge of the rules relating to membership and payroll reporting facilitates the employer in providing CCCERA with appropriate employee information. Correct enrollment of eligible employees and correct reporting of payroll information are necessary for the accurate computation of a member's retirement allowance.

The County is comprised of departments which are identified by one or more four digit code(s). For this audit DoIT was defined as all operations falling under department codes 0060 – Telecommunications and 0147 – Information Technology.

DoIT provides a full range of Information Technology services to the entire Contra Costa organization. The DoIT team manages the central corporate computing complex, a countywide Wide Area Network (WAN), and numerous Local Area Networks (LANs). DoIT provides business and technical consulting services to departments and managers throughout the organization.¹

Contra Costa County Department of Information Technology

For fiscal year 2016-2017 the County had budgeted expenditures for DoIT's salaries and benefits in the amount of approximately \$11,924,000². For fiscal year 2017-2018 the County budgeted approximately \$12,345,000³ for DoIT's salaries and benefits.

Per CCCERA records, in 2017 DoIT had between sixty-four (64) and sixty-eight (68) employees with active memberships in CCCERA. In 2017 CCCERA received approximately \$639,000 in employee pension contributions and \$1,650,000 in employer pension contributions for these employees. As of December 31, 2017, CCCERA had approximately sixty-eight (68) retirees and beneficiaries from DoIT on record with a total 2017 paid benefit amount of approximately \$3,200,000.

¹ <http://www.co.contra-costa.ca.us/195/Information-Technology>

² <http://www.cccounty.us/DocumentCenter/View/43178/Final-County-FY-16-17-for-WEB?bidId=>

³ <http://www.cccounty.us/DocumentCenter/View/47424/2017-18-Final-County-Budget-?bidId=>

Contra Costa County Department of Information Technology

Scope

The 2013 Pension Reform legislation granted CCCERA the authority under Government Code Section 31543 to conduct audits of employers to ensure that employee and payroll information used in the calculation of retiree pension benefits is correct and verifiable. The scope of these on-site reviews includes:

- Correctness of retirement benefits;
- Reportable compensation;
- Enrollment in, and reinstatement to the system (GC 31554);
- Pensionable compensation (GC 31461 and 7522.34);
- Determine if employees convicted of certain felonies have forfeited benefits earned or accrued from the commission of the felony (GC 7522.72(g) and GC 7522.74(g));
- Review MOUs with respect to compensation and salary regulations (i.e. Vacation Sales, etc.);
- Determine if compensation is paid to enhance a member's retirement benefit (GC 31461(b)(1) and 7522.34(c)(1));
- Evaluate employer's compliance with restrictions on retirees returning to work (GC 7522.56, I.R.S. bona fide separation and normal retirement age rules).

The on-site review with DoIT was conducted on July 2, 2018. The review period encompassed active employee records from 2015 through 2017 and retired employee records from 2016 through 2018.

Contra Costa County Department of Information Technology

The following activities were performed:

- Reviewed the following documents:
 - Management Resolution No. 2018/7 for County Elected and Appointed Department Heads, Management, Exempt, and Unrepresented Employees – January 1, 2018 – June 30, 2018
 - Memoranda of Understanding (MOU):
 1. MOU between the County and United Clerical, Technical & Specialized Employees (AFSME Local 2700) – July 1, 2013 – June 30, 2017
 2. MOU between the County and SEIU, Local 1021 – Rank and File Unit – July 1, 2016 – June 30, 2019
 3. MOU between the County and SEIU, Local 1021 – Service Line Supervisors Unit – July 1, 2016 – June 30, 2019
 4. MOU between the County and Teamsters, Local 856 – July 1, 2016 – June 30, 2019
 - Side Letter:
 1. Side Letter between the County and AFSME. Local 2700 to amend MOU by revising section 5.1 General Wages and section 49 Duration of Agreement – June 27, 2016
- Interviewed key DoIT staff members to obtain an understanding of the Department's personnel and payroll procedures up to the hand-off to other departments;
- Reviewed the payroll transactions and compared DoIT's payroll register with the data reported to CCCERA to determine whether the County correctly reported employees' compensation;
- Reviewed whether appropriate compensation limits established by the Internal Revenue Code (IRC) were applied to DoIT compensation reported to CCCERA;
- Reviewed DoIT's payroll information reported to CCCERA for all employees to determine whether pay-rates were reported pursuant to public salary information;
- Reviewed DoIT's process for reporting payroll to CCCERA to determine whether the payroll reporting elements were reported correctly;
- Reviewed DoIT's employer and employee retirement contribution calculations for accuracy;
- Reviewed DoIT's employee enrollments to determine whether all enrollment packages were received in a timely manner by CCCERA and executed correctly;

Contra Costa County Department of Information Technology

- Reviewed whether all compensation elements that were reported to CCCERA by the County are pensionable;
- Reviewed a sample of pension benefit calculations;
- Reviewed whether applicable limits established by IRC Section 415 were applied to retiree pension benefits.

Contra Costa County Department of Information Technology

Findings & Observations

Accuracy of Payroll Information provided to CCCERA

The accuracy, timeliness and completeness of the pensionable payroll and employee and employer contributions reported to CCCERA by DoIT is to be tested to ensure that member benefits can be accurately calculated and that the retirement system is receiving accurate information to manage and report out from its pension administration system.

Test Standards

Pursuant to Board of Retirement Regulations Section IV: Employer pensionable payroll and corresponding pension contributions are to be reported to the retirement system timely and accurately. (*Contributions And Reporting, 2. Due Dates, 4. Employer Certification*).

Due Dates

Each employer shall report to the Association in a manner and frequency as determined by the Board sufficient for the Board to credit contributions and service to each member's record.

Unless otherwise specified, reports shall be due no later than the tenth of each month for the previous month's payroll and shall be accompanied by member and employer contributions. If the tenth of the month falls on a weekend or holiday, the due date shall be the last working day before the tenth. Reports, which are unreadable or incorrect, shall not be accepted and shall be returned to the employer. (Emphasis added.)

Reports and contributions received after the due date shall be considered late and subject to a late reporting penalty equal to: the prime rate in effect on the due date computed on a daily, non-compounding basis and applied to the contributions due.

Enrollment of All Eligible Employees

County Employees Retirement Law of 1937 –Government Code 31552

Membership in the retirement system begins on the first day of the month following your employment in an eligible position. Retirement benefit contributions begin with the first paycheck after membership. All active, eligible employees contribute to the retirement system. Membership is mandatory for most employees in permanent positions, working half-time or

Contra Costa County Department of Information Technology

more; the exceptions are elected officials, who may choose membership by declaration, and employees who begin working after the age of 60 who may waive membership in the system.

CCCERA Board Regulations III. Membership, 3. Certifications:

Every employee of the County or district within the county whose employees are members of the Association shall, upon entry into the Association, complete a sworn statement as provided for in Gov. Code Section 31526(b). A certified copy of the member's birth certificate or other evidence of birth may be required by the Board.

It shall be the employer's responsibility to assure compliance with this section. The Board shall assess the employer five hundred (\$500) dollars per employee for every month or fraction thereof that the required certification is not submitted. The Board shall notify the employer in writing of the imposition of assessment at least thirty days before the assessment.

Compensation Limits:

Federal and state laws place annual limits on the compensation that can be used to determine contributions and benefits for CCCERA plan members.

Legacy Members:

- The Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans which are adjusted annually for cost-of-living increases.
- Members who commenced participation in CCCERA on or after January 1, 1996 are subject to the annual federal Internal Revenue Code Section 401(a)(17) compensation limit.
- For CERL benefit formulas (General Tiers 1, 3, Safety Tiers A, & C), the 2017 calendar year compensation limit was increased by the I.R.S. to \$270,000 from \$265,000 for calendar year 2016;
- Members who commenced participation in CCCERA prior to January 1, 1996 are not subject to the Internal Revenue Code annual compensation limit.

PEPRA Members:

- For new employees who commenced participation in CCCERA on or after January 1, 2013 under PEPRA benefit formulas (General Tiers 4,5, Safety Tiers D & E), the compensation which exceeds that annual pensionable compensation limit under

Contra Costa County Department of Information Technology

California Government Code Section 7522.10(c) and (d) is not included in determining benefits or contributions.

- The 2017 calendar year PEPRA compensation limits are as follows:
 - For employees enrolled in Social Security – increased to \$118,775;
 - For employees not enrolled in Social Security – increased to \$142,530.
- The 2016 calendar year PEPRA compensation limits are as follows:
 - For employees enrolled in Social Security – increased to \$117,020;
 - For employees not enrolled in Social Security – increased to \$140,424.

Compensation Earnable Applicable Law for Legacy Members

"Compensation earnable" does not include, in any case, the following:

“Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.” (G.C. § 31461(b)(3).)

Pursuant to CCCERA’s “Compensation Earnable Policy”⁴, Section III.D. “Compensation Earnable” excludes payments for additional services rendered outside of normal working hours:

Pay received for "overtime" is not included in "compensation earnable." To be included, the time for which compensation is received:

- (1) must be the normal working hours set forth in the applicable employment agreement;
- (2) must be required by the employer to be worked by the employee (as distinguished from voluntarily worked); and
- (3) must be ordinarily worked by all others in the same grade or classification at the same rate of pay during the FAS period.

Pay that will be reviewed under these conditions is often described as "standby" and "on-call." Employers must report to CCCERA as pensionable only that pay for work that is required of and ordinarily served by everyone in the same grade or classification, at the same rate of pay.

⁴ <https://www.cccera.org/governance-and-policies>

Contra Costa County Department of Information Technology

Pensionable Compensation Applicable Law for PEPRA members

PEPRA defines "pensionable compensation" as follows:

"Pensionable compensation" of a new member of any public retirement system means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules.

Compensation that has been deferred shall be deemed pensionable compensation when earned rather than when paid. (Gov. Code Section 7522.34(a) and (b).)

PEPRA excludes from "pensionable compensation" the following:

- (1) Any compensation determined by the board to have been paid to increase a member's retirement benefit under that system.
- (2) 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.
- (3) Any one-time or ad hoc payments made to a member.
- (4) 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.
- (5) Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid.
- (6) Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.
- (7) Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniforms.
- (8) Compensation for overtime work, other than as defined in Section 207(k) of Title 29 of the United States Code [FLSA].
- (9) Employer contributions to deferred compensation or defined contribution plans.
- (10) Any bonus paid in addition to the compensation described in subdivision (a) [of G.C. § 7522.34].
- (11) Any other form of compensation a public retirement board determines is inconsistent with the requirements of subdivision (a) [of G.C. § 7522.34].
- (12) Any other form of compensation a public retirement board determines should not be pensionable compensation. (Gov. Code Section 7522.34(a) and (b).)

Contra Costa County Department of Information Technology

Pursuant to CCCERA's "Pensionable Compensation Policy"⁵, Section III:

The CCCERA Board has determined that "Pensionable Compensation" includes "base pay." Pensionable compensation does not include any pay other than base pay, in accordance with Govt. Code Sections 7522.34(c)(11) and (12).

Pensionable compensation (GC 31461 and 7522.34) is to be reported to the retirement system and the corresponding contributions are to be reported to the retirement system.

Publicly Available Pay Schedule

Pursuant to CCCERA's Policy On Determining "Pensionable Compensation"⁶ Under PEPRA For Purposes Of Calculating Retirement Benefits, a "publicly available pay schedule" must meet all of the following requirements:

1. *Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;*
2. *Identifies the position title for every employee position;*
3. *Shows the pay rate for each identified position, which may be stated as a single amount or as multiple amounts within a range;*
4. *Indicates the time base, including, but not limited to, whether the time base is hourly daily, bi-weekly, monthly, bi-monthly, or annually;*
5. *Is posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's internet website;*
6. *Indicates an effective date and date of any revisions;*
7. *Is retained by the employer and available for public inspection for not less than five years; and*
8. *Does not reference another document in lieu of disclosing the pay rate.*

Pension Benefit Review

- a. Compensation Policies
 - i. *Policy On Determining "Compensation Earnable Under Assembly Bill 197 For Purposes Of Calculating Retirement Benefits For "Legacy" (Pre-PEPRA) Members – Adopted: 9/10/2014; GC 31461;*

⁵ <https://www.cccera.org/governance-and-policies>

⁶ <https://www.cccera.org/governance-and-policies>

Contra Costa County Department of Information Technology

- ii. *Policy On Determining “Pensionable Compensation” Under PEPR A For Purposes Of Calculating Retirement Benefits* - Adopted: 9/10/2014; GC 7522.34;
 - iii. *Policy Regarding Assessment and Determination Of Compensation Enhancements* – Adopted 11/1/2012, Amended: 3/8/2017; GC 31461(b)(1) and 7522.34(c)(1).
- b. Retiree Return to Work Monitoring
 - i. GC 7522.56 Retired Persons; Service and Employment Restrictions
 - c. Felony Forfeiture Monitoring and Notification – GC 7522.72(g) and GC 7522.74(g).

Policy on Internal Revenue Code Section 415 Compliance

As adopted on December 8, 2010 and amended on January 9, 2013 and July 11, 2018.

Tests Performed

In order to test the timeliness, reasonableness and accuracy of the pensionable compensation and contributions that have been reported to the retirement system, the test plan incorporated the following elements:

Accuracy of Payroll Information provided to CCCERA

- Calculated sample size of active DoIT members during the test used for pensionable payroll and contribution audit testing. The sample included twenty-six (26) members, of which twenty-one (21) members were Legacy and five (5) members were PEPR A with hire dates after January 1, 2013. Selected eight (8) of the sample members for reconciling timesheets to payroll system information.
- Timeframe and scope selected for the audit: January 2015 through December 2017. Using the random sample of active members during the period, DoIT payroll records and contributions (both employee and employer paid) were tested in the audit using the following target payroll periods – November 2015, April 2016, November 2016, and April 2017.
- DoIT’s timekeeping and submission workflows were reviewed. DoIT staff was interviewed regarding their timekeeping practices and payroll preparation steps which were captured in a workflow document.

Contra Costa County Department of Information Technology

- The input files for CCCERA's pension administration system (CPAS) submitted by the County for members employed in DoIT were reviewed for timeliness, accuracy and completeness.
- Contribution amounts were recalculated based on reported salaries for the employee sample and compared to contribution amounts recorded in CPAS.
- Compensation items flowing into reported salaries were reviewed for pensionability.
- Reported pensionable compensation was compared to IRC compensation limits.

Publicly Available Pay Schedule

- It was reviewed whether the County could provide a publicly available pay schedule as defined per CCCERA's Pensionable Compensation Policy.

Salaries in Accordance With Publicly Available Pay Schedules

- Salaries for DoIT sample employees were reviewed against applicable memoranda of understanding, letters of understanding, management resolutions, and other applicable salary and pay documentation.

Enrollment of All Eligible Employees

- New member enrollment was reviewed for 2016 and 2017.

Pension Benefit Review

- The pension benefit calculations for a sample of five (5) retired members who retired after January 1, 2016 were reviewed for compliance with all applicable laws, Board of Retirement regulations and CCCERA policies and practices. Two (2) benefit calculations were reviewed for calendar year 2016, two (2) for 2017 and one (1) for 2018.
- The 2017 IRC Section 415 limits calculated by CCCERA for DoIT retirees were reviewed and compared to pension benefit payments made.

Retiree Return to Work Monitoring

- It was reviewed whether DoIT's retirees that returned to work for fiscal years 2015-2016 and 2016-2017 were in compliance with the 960 hour fiscal year limit.

Contra Costa County Department of Information Technology

Forfeiture of Benefits Earned or Accrued from the Commission of a Felony

- It was reviewed whether CCCERA received a notification from the County for DoIT employees regarding a potential felony forfeiture and whether this notification was processed appropriately if applicable.

DoIT Payroll and Reporting Process

The County's payroll process is segmented by functionality and assigned to different departments. DoIT creates and submits the input files for the County that update CCCERA's pension administration system as the last step in the process. The departments perform their own timekeeping activities. This audit's scope is limited to reviewing DoIT's timekeeping and payroll workflow up to the point where the department submits its timekeeping data to the general County payroll and pensionable compensation and contribution reporting workflow.

DoIT's timekeeping activities are performed in the White Card System which is a separate and distinct system. Once completed in the White Card System, timekeeping data is manually entered into Kronos, the County's timekeeping system to flow into the general County payroll processes.

A sample of I29 files, I30 and I30 adjustment files were reviewed with focus on DoIT employees.

I29 File Observations:

- The I29 files generally appear to be correct. All fields are completed as expected.
- The exception is the November 2017 file which contained incorrect demographic data. CCCERA's Member Services addressed the issue by backing out the incorrect demographic data with the help of CCCERA's pension administration system service provider. All errors were corrected as of February 2, 2018. This issue had delayed processing of CCCERA's end-of-year reporting, and subsequently delayed processing of further imports as well as CCCERA's 2017 benefit statement and actuarial valuation.

I30 and I30 Adjustment File Observations:

- The review of I30 and I30 adjustment files for 2017 revealed no variance or exception.

Contra Costa County Department of Information Technology

Contributions Review

- CCCERA staff recalculated the pension contributions remitted to CCCERA and compared the result to actual contribution data. The pensionable compensation components were identified along with the corresponding employer and employee contributions. This data was then reconciled to the pensionable compensation and contribution reports uploaded into CPAS. Variances were identified between each source to system of record reconciliation.

Data categories reviewed are:

- Total Employee Contribution Amount
- Basic Employee Contributions
- Basic Employee Contribution Rate
- Employee COLA
- Employee COLA Rate
- Total Employer Contributions
- Basic Employer Contributions
- Basic Employer Contribution Rate
- Employer COLA
- Employer COLA Rate

Observations:

- No material differences were observed between recalculated contribution amounts and PeopleSoft data. A total of ten (10) +/--\$0.01 rounding differences were observed.
- No subventions were observed for DoIT sample employees.
- No variances were observed when comparing PeopleSoft data to data residing in CPAS for DoIT sample employees.

Timekeeping Sample Review

The review of the payroll preparation workflow showed a manual data entry process to transfer data from DoIT's timekeeping system, the White Card System, to Contra Costa County's timekeeping System Kronos. To review whether the manual keying of data resulted in errors, an end-to-end review for a representative sample of eight (8) employees has been performed.

Contra Costa County Department of Information Technology

Observations and Explanations:

- For Sample Employee #4, PeopleSoft shows Overtime Compensatory Excess Hours Pay (OTE-OT Earnings @ 1.50 Exempt Excl) in all reviewed months but there is no equivalent or notation in the White Card System.
- Per DoIT staff OTE kicks in when the prescribed maximum of 120 hours is reached for Compensatory Time Earned. All hours after the maximum are automatically paid. DoIT has no control over this as it is processed in PeopleSoft by the County.
- No other variances or differences for accruals, overtime or differentials were observed.

Payroll Reporting – Pensionable Compensation and Contribution Review

A compensation review was performed for compensation items in excess of base pay that were reported for DoIT employees for the four (4) sample months of November 2015, April 2016, November 2016 and April 2017.

Observations:

- Nine (9) compensation items other than base pay were reported for DoIT employees. These compensation items consist of longevity pay, pay for special certificates, shift pay, hazard pay and automobile allowance.
- Three (3) instances of vacation sales under pay code V21 (Sale of Vacation L 5.0%) were observed in the sample months. None of these employees were part of the audit sample. No vacation sales were observed within the employee audit sample.

Compensation Limits

Table 1: IRC Compensation Limits for 2016 and 2017

	2016	2017
PEPRA in Social Security	\$117,020	\$118,775
PEPRA not in Social Security	\$140,424	\$142,530
Legacy	\$265,000	\$270,000

DoIT employees did participate in Social Security in 2016 and 2017.

Contra Costa County Department of Information Technology

Observations:

- No Legacy employee exceeded the \$265,000 and \$270,000 in total compensation for DoIT in 2016 and 2017 respectively.
- No PEPRA employee exceeded the PEPRA compensation limits of \$117,020 and \$118,775 in 2016 and 2017 respectively.

Publicly Available Pay Schedule Review

At the beginning of the audit the salary schedule effective July 1, 2017 was available on the County's website. This schedule was later replaced by the salary schedule effective July 1, 2018. In addition, the employer was able to produce the preceding two pay schedules applicable to the audit period upon request by CCCERA.

The schedules fulfill the requirements listed in the test standard.

Salaries in Accordance With Publicly Available Pay Schedules

Salaries of the sample employees for DoIT were reviewed against the publicly available pay schedule, applicable memoranda of understanding, letters of understanding, employment agreements, and other applicable salary and pay documentation:

- All base salaries for reported job codes matched the appropriate pay schedules.
- Job titles are truncated in a way that it is not always clear what position the sample employees hold. However, job codes for DoIT employees were reported. The job codes are unique and allow proper tie back to the salary schedule.

Enrollment of all Eligible Employees

Observations:

2017

- No missing enrollment packets or I29 entries for DoIT employees were observed in 2017.

Contra Costa County Department of Information Technology

- I29 enrollment entries were observed for two (2) employees with “Student Intern Level” job titles. No enrollment forms for students/interns were received. This is correct due to the part-time hourly status which was reported for them. It is understood that these employees do not meet the eligibility requirements for CCCERA membership.

2016

- No missing enrollment packets or I29 entries for DoIT employees were observed in 2016.
- Observed an enrollment entry for one (1) DoIT employee who worked for the County uninterrupted. This entry appears to be regarding a department change. While a position change transaction would have sufficed, CPAS was updated with the new position and appears correct.
- I29 enrollment entries for six (6) employees with “Student Intern Level” and “Student Worker” job titles and part-time hourly status were observed. No enrollment packets were received for these employees.

Pension Benefit Review

The pension benefit calculations for five (5) of DoIT’s retirees were reviewed; two (2) for 2016, two (2) for 2017 and one (1) for 2018. The review focused on the final average salary (FAS) period selected and compensation used in the calculation for sample members.

Observations:

- The review agreed with the FAS period and the compensation elements used in the calculations for all five (5) members.

Internal Revenue Code Section 415 Compliance

DoIT, as a County department, does not monitor retired members’ pension benefits for IRC Section 415 Compliance which places annual limits on the dollar amount of an annual pension benefit that can be paid out of a 401(a)(17) government defined benefit pension plan. The County Auditor Controllers Office administers the County’s pension benefit replacement plan for those retired members that are subject to the annual IRC pension benefit payment limits. Depending on the year of retirement, some retired members may be grandfathered and not subject to the annual limit.

Contra Costa County Department of Information Technology

In the course of the audit the 2016 and 2017 pension benefit payments that were made to retired members of DoIT were reviewed. The following was observed:

- One (1) retired member is tracked annually and their benefit is suspended when the annual pension benefit payment limit is reached;

On an annual basis CCCERA staff reviews projected annual retirement pension benefit payroll and identifies those members that may be subject to the IRC Section 415 limits. CCCERA provides notification to the employer advising the month during the year that the member's pension benefit payment will be suspended so that the employer can coordinate the commencement of its employer administered pension benefit replacement plan payments.

Retiree Return to Work Monitoring

GC 7522.56, I.R.S. bona fide separation and normal retirement age rules

There are two ways retirees may return to work for a CCCERA participating employer: on an approved limited basis while receiving their pension, or by suspending their retirement to return to full time employment. The PEPRA 2013 "return to work" rules create a framework under which a retiree's eligibility will be determined to be re-employed without having to be reinstated from retirement. The "return to work" rules affect new, deferred, and current employees.

The Board of Retirement Regulations Section VII Normal Retirement Age and Bone Fide Separations states the following:

Bona Fide Separation from Service

A) In order to comply with tax law restrictions on in-service distributions, a member who retires at an age younger than Normal Retirement Age, as defined herein, may not enter into an agreement, either oral or written, prior to the date the member's retirement commences, to be reemployed while retired by the same CCCERA employer, regardless of the length of the member's break in service after retirement. The member must acknowledge in writing to CCCERA at the time of retirement that the member has been informed of these requirements and limitations on post-retirement employment and that no prearrangement to be reemployed while retired exists.

Contra Costa County Department of Information Technology

B) A member who retires at an age younger than Normal Retirement Age, as defined herein, must have at least a continuous 90-day break in service from the date of the member's last day of employment prior to being reemployed while retired by the member's prior CCCERA employer.

C) If a member is reemployed without compliance with subsections (A) and (B) above, the retired member's retirement benefits from CCCERA must cease as soon as practicable upon discovery by CCCERA and will not resume until the member has a bona fide separation from service or reaches Normal Retirement Age, whichever occurs first.

Employer Certification and Determination – Submission of CCCERA Form 213 Certification for Post-Retirement Employment.

- No pre-arrangement for post-retirement re-hire;
- Reinstatement from retirement requirement if rehired by an employer in the same public retirement system from which the retiree receives the benefit;
- Waiting period between retirement date and rehire of a retiree (with some exceptions for Safety Members and special circumstance General Members);
- Fiscal Year Limitations – 960 Hours;
- Limited duration of the return to work (7522.56(c).);
- Compensation Limits;
- Employer certification and approval by the Board of Supervisors (7522.56(f)(1).);
- Retiree certification of non-receipt of unemployment insurance compensation (7522.56(e).).

Observations:

- DoIT employed six (6) and seven (7) retirees who returned to work in fiscal year 2015-2016 and fiscal year 2016-2017 respectively.
- The retirees who returned to work for DoIT did not work more than 960 hours in 2016 or 2017.

Contra Costa County Department of Information Technology

Forfeiture of Benefits Earned or Accrued from the Commission of a Felony

Test Standard

Reporting Requirements For Public Employers Under PEPRA require the public agency that employs or employed a public employee who was convicted of a job related felony must notify CCCERA of the conviction within 90 days of the conviction. (Govt. Code §§ 7522.72(f) and 7522.74(f).).

Observations:

The review indicated that CCCERA had not received any notice from the employer regarding any employee of DoIT that would have been subject to the felony conviction and benefit forfeiture provisions under government statute. DoIT confirmed that they knew of no such employee.

Contra Costa County Department of Information Technology

Follow-Up Items

The following items were noted during the course of the review and require follow-up by DoIT and CCCERA:

There were no items noted that require follow up from DoIT.

Contra Costa County Department of Information Technology

County Response

Kristina Dohrn

From: Lisa Driscoll <Lisa.Driscoll@cao.cccounty.us>
Sent: Tuesday, October 30, 2018 3:40 PM
To: Wrally Dutkiewicz; David Twa
Cc: Marc Shorr; Joanne Buenger; Gail Strohl; Kristina Dohrn
Subject: RE: CCCERA Preliminary Employer Audit Report - Department of Information Technology

Wrally,

Thank you for forwarding the Preliminary Employer Audit Report conducted by CCCERA on the Department of Information Technology. We agree with the findings and have no questions nor comments.

..... Lisa

Lisa Driscoll, County Finance Director
651 Pine Street, 10th Floor
Martinez, Ca 94553
(925) 335-1023

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From: Wrally Dutkiewicz <WDutkiewicz@cccera.org>
Sent: Thursday, October 25, 2018 1:22 PM
To: David Twa <David.Twa@cao.cccounty.us>
Cc: Lisa Driscoll <Lisa.Driscoll@cao.cccounty.us>; Marc Shorr <Marc.Shorr@doit.cccounty.us>; Joanne Buenger <Joanne.Buenger@doit.cccounty.us>; Gail Strohl <GStrohl@cccera.org>; Kristina Dohrn <KDohrn@cccera.org>
Subject: CCCERA Preliminary Employer Audit Report - Department of Information Technology

Mr. Twa,

Please find the **attached** Preliminary Employer **Audit Report** conducted by CCCERA on the Department of Information Technology.

The Preliminary Audit Report is scheduled to be presented to the CCCERA Audit Committee at its meeting on Wednesday, November 7, 2018 and the department staff are welcome to attend this public meeting. The final audit report is scheduled to be presented to the Board of Retirement at its Wednesday December 12, 2018 meeting.

A hard copy of this report has also been sent via USPS to your office.

In the interim, should you have any questions please contact me. I would be happy to discuss.

Wrally Dutkiewicz
Compliance Officer

CCCERA

1

Contra Costa County Department of Information Technology

1355 Willow Way
Suite 221
Concord, CA 94520
925.521.3960
wdufkiewicz@cccera.org

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Meeting Date
12/12/18
Agenda Item
#13

MEMORANDUM

Date: December 12, 2018
To: Board of Retirement
From: Wrally Dutkiewicz
Compliance Officer
Subject: Final Employer Audit Report Dated November 30, 2018 –
Contra Costa County Office of the Auditor - Controller

Background:

Between April and August 2018 an employer audit was performed on the Contra Costa County Office of the Auditor- Controller (OAC). An onsite review was performed at the OAC office on August 20, 2018.

The employer audit scope items include the following:

- Accuracy of Payroll Information Provided to CCCERA;
- Salaries In Accordance with Publicly Available Pay Schedules;
- Enrollment of All Eligible Employees;
- Pension Benefit Review:
- Internal Revenue Code 415 Limits;
- Retiree Return to Work Monitoring; and
- Forfeiture of Benefits Earned or Accrued from the Commission of a Felony.

Follow Up Items:

There were no follow up action items noted in the audit report for OAC.

Employer Audit:
Contra Costa County
Office of the Auditor-
Controller

*Final Audit Report
dated 11/30/2018
prepared by:*



EAU2018-101

Table of Contents

Final Audit Transmittal Letter	1
Preliminary Audit Transmittal Letter	3
Background	5
Scope	7
Findings & Observations	10
Accuracy of Payroll Information provided to CCCERA	10
OAC Payroll and Reporting Process.....	19
Contributions Review	20
Payroll Reporting – Pensionable Compensation and Contribution Review	21
Compensation Limits	22
Publicly Available Pay Schedule Review	22
Salaries in Accordance With Publicly Available Pay Schedules	22
Enrollment of all Eligible Employees	23
Pension Benefit Review	23
Internal Revenue Code Section 415 Compliance	24
Retiree Return to Work Monitoring	24
Forfeiture of Benefits Earned or Accrued from the Commission of a Felony	26
Follow-Up Items	28
County Response	29

Contra Costa County Office of the Auditor-Controller

Final Audit Transmittal Letter



November 30, 2018

David Twa
Contra Costa County Administrator
651 Pine St.
10th Floor
Martinez, CA 94553

Re: Final Employer Audit Report – Contra Costa County Office of the Auditor-Controller
Pensionable Compensation, Contribution and Reporting Audit

Dear Mr. Twa,

Enclosed is the final audit report of the Contra Costa County Office of the Auditor-Controller (OAC) pensionable compensation, contribution and reporting audit, conducted pursuant to Government Code Section 31543. I want to thank you and all OAC staff for their assistance in gathering all the records and documents and making them readily available during this audit. This cooperation was greatly appreciated and allowed for the audit to be completed in an efficient manner.

There were no “*Follow-Up Items*” noted for the department to follow up on. During the audit CCCERA Compliance staff found the department’s record keeping and document preparation to be efficient, accessible, and with clarity which facilitated the analysis of payroll records and member data during the audit.

Contra Costa County Office of the Auditor-Controller

This report will be placed on the agenda and will be presented to the CCCERA Board of Retirement on its Wednesday December 12th, 2018 meeting.

I appreciate the attention and cooperation of OAC's payroll and human resources staff and the courtesy that they extended to CCCERA compliance staff during the audit. Should you wish to discuss or have any questions regarding the items reviewed and the observations contained within this report, please contact me at 925-521-3960.

Best regards,



Wrally Dutkiewicz
Compliance Officer

Cc: Robert Campbell, Auditor-Controller
Harjit Nahal, Assistant Auditor-Controller
Lisa Driscoll, Finance Director

Contra Costa County Office of the Auditor-Controller

Preliminary Audit Transmittal Letter



October 29, 2018

David Twa
Contra Costa County Administrator
651 Pine St.
10th Floor
Martinez, CA 94553

Re: Preliminary Report – Contra Costa County Office of the Auditor-Controller Pensionable Compensation, Contribution and Reporting Audit

Dear Mr. Twa,

Enclosed is the preliminary audit report of the Contra Costa County Office of the Auditor-Controller (OAC) pensionable compensation, contribution and reporting audit, conducted pursuant to Government Code Section 31543. I want to thank you and all OAC staff for their assistance in gathering all the records and documents and making them readily available during this audit. This cooperation was greatly appreciated and allowed for the audit to be completed in an efficient manner.

The *Preliminary Audit Report* is enclosed for your review. I would direct your attention to the “*Observations*” and “*Follow-Up Items*” sections of the report. A written response from OAC pertaining to the “*Follow-Up Items*” indicated in the report should be sent to CCCERA within four weeks of the date noted on the report. This response will be included in the “*Final Report*” which will be submitted to CCCERA’s Board of Retirement.



Contra Costa County Office of the Auditor-Controller

In addition, I would like to extend my gratitude to OAC's payroll and human resources staff and the courtesy that they extended to CCCERA compliance staff during the review. Should you wish to discuss or have any questions regarding the items reviewed and the observations contained within this report, please contact me at 925-521-3960.

Best regards,



Wrally Dutkiewicz
Compliance Officer

Cc: Robert Campbell, Auditor-Controller
Harjit Nahal, Assistant Auditor-Controller
Lisa Driscoll, Finance Director

Contra Costa County Office of the Auditor-Controller

Background

The Contra Costa County Employees' Retirement Association (CCCERA) is a public employee retirement system that was established by Contra Costa County on July 1, 1945, and is administered by the Board of Retirement (Board) to provide service retirement, disability, death, and survivor benefits for Contra Costa County (County) employees and 16 other participating agencies under the California State Government Code, Section 31450, et. seq. (County Employees Retirement Law of 1937 or CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA).

CCCERA administers the retirement benefits for the employees of Contra Costa County and participating District employers. Participating employers within the CCCERA retirement system transmit payroll information and contributions to fund the benefits for their employees. CCCERA sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits when needed.

Retirement allowances are computed in accordance with statute using three factors: years of service, age at retirement, and final compensation. For Legacy (pre-PEPRA) members, final compensation is defined as the highest average annual compensation earnable (as defined in G.C. Section 31461) by a member during the last one or three consecutive years of employment depending on the member's Tier, unless the member elects a different period with a higher average. For PEPRA members, final compensation is defined as the highest average annual pensionable compensation (as defined in G.C. Section 7522.34) earned by the member during a period of 36 consecutive months.

The employer's knowledge of the rules relating to membership and payroll reporting facilitates the employer in providing CCCERA with appropriate employee information. Correct enrollment of eligible employees and correct reporting of payroll information are necessary for the accurate computation of a member's retirement allowance.

The County is comprised of departments which are identified by one or more four digit code(s). For this audit OAC was defined as all operations falling under department code 0010- Auditor-Controller.

The Auditor-Controller is the Chief Accounting Officer for the County. His mandate is to ensure the required Auditor-Controller functions specified in the California Constitution, under various California codes, and by the Board of Supervisors are performed. The duties are performed under the legal authority primarily set forth in the Government Code beginning with Sections 26880 and 26900.

Contra Costa County Office of the Auditor-Controller

The Office of the Auditor-Controller's primary mission is to ensure the fiscal integrity of the County's financial records and to provide service, assistance and information to the Public, Board of Supervisors, County Administrator's Office, County Departments and Employees, and Special Districts and some regional non-county agencies.¹

For fiscal year 2016-2017 the County had budgeted expenditures for OAC's salaries and benefits in the amount of approximately \$7,612,300². For fiscal year 2017-2018 the County budgeted approximately \$8,165,600³ for OAC's salaries and benefits.

Per CCCERA records, in 2017 OAC had fifty-four (54) employees with active memberships in CCCERA. In 2017 CCCERA received approximately \$383,500 in employee pension contributions and \$1,091,700 in employer pension contributions for these employees. As of December 31, 2017, CCCERA had fifty-seven (57) retirees and beneficiaries from OAC on record with a total 2017 paid benefit amount of approximately \$2,715,000.

¹ <http://www.co.contra-costa.ca.us/6533/Auditor-Controller>

² <http://www.cccounty.us/DocumentCenter/View/43178/Final-County-FY-16-17-for-WEB?bidId=>

³ <http://www.cccounty.us/DocumentCenter/View/47424/2017-18-Final-County-Budget-?bidId=>

Contra Costa County Office of the Auditor-Controller

Scope

The 2013 Pension Reform legislation granted CCCERA the authority under Government Code Section 31543 to conduct audits of employers to ensure that employee and payroll information used in the calculation of retiree pension benefits is correct and verifiable. The scope of these on-site reviews includes:

- Correctness of retirement benefits;
- Reportable compensation;
- Enrollment in, and reinstatement to the system (GC 31554);
- Pensionable compensation (GC 31461 and 7522.34);
- Determine if employees convicted of certain felonies have forfeited benefits earned or accrued from the commission of the felony (GC 7522.72(g) and GC 7522.74(g));
- Review MOUs with respect to compensation and salary regulations (i.e. Vacation Sales, etc.);
- Determine if compensation is paid to enhance a member's retirement benefit (GC 31461(b)(1) and 7522.34(c)(1));
- Evaluate employer's compliance with restrictions on retirees returning to work (GC 7522.56, I.R.S. bona fide separation and normal retirement age rules).

The on-site review with OAC was conducted on August 20, 2018. The review period encompassed active employee records from 2015 through 2017 and retired employee records from 2016 through 2018.

Contra Costa County Office of the Auditor-Controller

The following activities were performed:

- Reviewed the following documents:
 - Contra Costa County Personnel Management Regulations, effective January 1, 1982
 - Contra Costa County Salary Regulations
 - Management Resolutions:
 1. No. 2018/7 for County Elected and Appointed Department Heads, Management, Exempt, and Unrepresented Employees – January 1, 2018 – June 30, 2018
 - Memoranda of Understanding (MOU):
 1. MOU between the County and United Clerical, Technical & Specialized Employees (AFSME Local 2700) – July 1, 2013 – June 30, 2017
 2. MOU between the County and Professional and Technical Engineers (IFPTE, Local 21) – July 1, 2016 – June 30, 2019
 3. MOU between the County and Professional & Technical Employees (AFSCME Local 512) – July 1, 2016 – June 30, 2019
 - Side Letter:
 1. Side Letter between the County and AFSME. Local 2700 to amend MOU by revising section 5.1 General Wages and section 49 Duration of Agreement – June 27, 2016
- Interviewed key OAC staff members to obtain an understanding of the Department's personnel and payroll procedures up to the hand-off to other departments;
- Reviewed the payroll transactions and compared OAC's payroll register with the data reported to CCCERA to determine whether the County correctly reported employees' compensation;
- Reviewed whether appropriate compensation limits established by the Internal Revenue Code (IRC) were applied to OAC compensation reported to CCCERA;
- Reviewed OAC's payroll information reported to CCCERA for all employees to determine whether pay-rates were reported pursuant to public salary information;
- Reviewed OAC's process for reporting timekeeping data to the County who reports payroll to CCCERA to determine whether the payroll reporting elements were reported correctly;
- Reviewed OAC's employer and employee retirement contribution calculations for accuracy;

Contra Costa County Office of the Auditor-Controller

- Reviewed OAC's employee enrollments to determine whether all enrollment packages were received in a timely manner by CCCERA and executed correctly;
- Reviewed whether all compensation elements that were reported to CCCERA by the County on behalf of OAC employees are pensionable;
- Reviewed a sample of pension benefit calculations;
- Reviewed whether applicable limits established by IRC Section 415 were applied to retiree pension benefits.

Contra Costa County Office of the Auditor-Controller

Findings & Observations

Accuracy of Payroll Information provided to CCCERA

The accuracy, timeliness and completeness of the pensionable payroll and employee and employer contributions reported to CCCERA by OAC is to be tested to ensure that member benefits can be accurately calculated and that the retirement system is receiving accurate information to manage and report out from its pension administration system.

Test Standards

Pursuant to Board of Retirement Regulations Section IV: Employer pensionable payroll and corresponding pension contributions are to be reported to the retirement system timely and accurately. (*Contributions And Reporting, 2. Due Dates, 4. Employer Certification*).

Due Dates

Each employer shall report to the Association in a manner and frequency as determined by the Board sufficient for the Board to credit contributions and service to each member's record.

Unless otherwise specified, reports shall be due no later than the tenth of each month for the previous month's payroll and shall be accompanied by member and employer contributions. If the tenth of the month falls on a weekend or holiday, the due date shall be the last working day before the tenth. Reports, which are unreadable or incorrect, shall not be accepted and shall be returned to the employer. (Emphasis added.)

Reports and contributions received after the due date shall be considered late and subject to a late reporting penalty equal to: the prime rate in effect on the due date computed on a daily, non-compounding basis and applied to the contributions due.

Enrollment of All Eligible Employees

County Employees Retirement Law of 1937 –Government Code 31552

Membership in the retirement system begins on the first day of the month following your employment in an eligible position. Retirement benefit contributions begin with the first paycheck after membership. All active, eligible employees contribute to the retirement system. Membership is mandatory for most employees in permanent positions, working half-time or

Contra Costa County Office of the Auditor-Controller

more; the exceptions are elected officials, who may choose membership by declaration, and employees who begin working after the age of 60 who may waive membership in the system.

CCCERA Board Regulations III. Membership, 3. Certifications:

Every employee of the County or district within the county whose employees are members of the Association shall, upon entry into the Association, complete a sworn statement as provided for in Gov. Code Section 31526(b). A certified copy of the member's birth certificate or other evidence of birth may be required by the Board.

It shall be the employer's responsibility to assure compliance with this section. The Board shall assess the employer five hundred (\$500) dollars per employee for every month or fraction thereof that the required certification is not submitted. The Board shall notify the employer in writing of the imposition of assessment at least thirty days before the assessment.

Compensation Limits:

Federal and state laws place annual limits on the compensation that can be used to determine contributions and benefits for CCCERA plan members.

Legacy Members:

- The Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans which are adjusted annually for cost-of-living increases.
- Members who commenced participation in CCCERA on or after January 1, 1996 are subject to the annual federal Internal Revenue Code Section 401(a)(17) compensation limit.
- For CERL benefit formulas (General Tiers 1, 3, Safety Tiers A, & C), the 2017 calendar year compensation limit was increased by the I.R.S. to \$270,000 from \$265,000 for calendar year 2016;
- Members who commenced participation in CCCERA prior to January 1, 1996 are not subject to the Internal Revenue Code annual compensation limit.

PEPRA Members:

- For new employees who commenced participation in CCCERA on or after January 1, 2013 under PEPRA benefit formulas (General Tiers 4,5, Safety Tiers D & E), the compensation which exceeds that annual pensionable compensation limit under

Contra Costa County Office of the Auditor-Controller

California Government Code Section 7522.10(c) and (d) is not included in determining benefits or contributions.

- The 2017 calendar year PEPRA compensation limits are as follows:
 - For employees enrolled in Social Security – increased to \$118,775;
 - For employees not enrolled in Social Security – increased to \$142,530.
- The 2016 calendar year PEPRA compensation limits are as follows:
 - For employees enrolled in Social Security – increased to \$117,020;
 - For employees not enrolled in Social Security – increased to \$140,424.

Compensation Earnable Applicable Law for Legacy Members

"Compensation earnable" does not include, in any case, the following:

“Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.” (G.C. § 31461(b)(3).)

Pursuant to CCCERA’s “Compensation Earnable Policy”⁴, Section III.D. “Compensation Earnable” excludes payments for additional services rendered outside of normal working hours:

Pay received for "overtime" is not included in "compensation earnable." To be included, the time for which compensation is received:

- (1) must be the normal working hours set forth in the applicable employment agreement;
- (2) must be required by the employer to be worked by the employee (as distinguished from voluntarily worked); and
- (3) must be ordinarily worked by all others in the same grade or classification at the same rate of pay during the FAS period.

Pay that will be reviewed under these conditions is often described as "standby" and "on-call." Employers must report to CCCERA as pensionable only that pay for work that is required of and ordinarily served by everyone in the same grade or classification, at the same rate of pay.

⁴ <https://www.cccera.org/governance-and-policies>

Contra Costa County Office of the Auditor-Controller

Pensionable Compensation Applicable Law for PEPRA members

PEPRA defines "pensionable compensation" as follows:

"Pensionable compensation" of a new member of any public retirement system means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules.

Compensation that has been deferred shall be deemed pensionable compensation when earned rather than when paid. (Gov. Code Section 7522.34(a) and (b).)

PEPRA excludes from "pensionable compensation" the following:

- (1) Any compensation determined by the board to have been paid to increase a member's retirement benefit under that system.
- (2) 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.
- (3) Any one-time or ad hoc payments made to a member.
- (4) 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.
- (5) Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid.
- (6) Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.
- (7) Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniforms.
- (8) Compensation for overtime work, other than as defined in Section 207(k) of Title 29 of the United States Code [FLSA].
- (9) Employer contributions to deferred compensation or defined contribution plans.
- (10) Any bonus paid in addition to the compensation described in subdivision (a) [of G.C. § 7522.34].
- (11) Any other form of compensation a public retirement board determines is inconsistent with the requirements of subdivision (a) [of G.C. § 7522.34].
- (12) Any other form of compensation a public retirement board determines should not be pensionable compensation. (Gov. Code Section 7522.34(a) and (b).)

Contra Costa County Office of the Auditor-Controller

Pursuant to CCCERA's "Pensionable Compensation Policy"⁵, Section III:

The CCCERA Board has determined that "Pensionable Compensation" includes "base pay." Pensionable compensation does not include any pay other than base pay, in accordance with Govt. Code Sections 7522.34(c)(11) and (12).

Pensionable compensation (GC 31461 and 7522.34) is to be reported to the retirement system and the corresponding contributions are to be reported to the retirement system.

Publicly Available Pay Schedule

Pursuant to CCCERA's Policy On Determining "Pensionable Compensation"⁶ Under PEPRA For Purposes Of Calculating Retirement Benefits, a "publicly available pay schedule" must meet all of the following requirements:

1. *Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;*
2. *Identifies the position title for every employee position;*
3. *Shows the pay rate for each identified position, which may be stated as a single amount or as multiple amounts within a range;*
4. *Indicates the time base, including, but not limited to, whether the time base is hourly daily, bi-weekly, monthly, bi-monthly, or annually;*
5. *Is posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's internet website;*
6. *Indicates an effective date and date of any revisions;*
7. *Is retained by the employer and available for public inspection for not less than five years; and*
8. *Does not reference another document in lieu of disclosing the pay rate.*

Pension Benefit Review

- a. Compensation Policies
 - i. *Policy On Determining "Compensation Earnable Under Assembly Bill 197 For Purposes Of Calculating Retirement Benefits For "Legacy" (Pre-PEPRA) Members – Adopted: 9/10/2014; GC 31461;*

⁵ <https://www.cccera.org/governance-and-policies>

⁶ <https://www.cccera.org/governance-and-policies>

Contra Costa County Office of the Auditor-Controller

- ii. *Policy On Determining “Pensionable Compensation” Under PEPR A For Purposes Of Calculating Retirement Benefits* - Adopted: 9/10/2014; GC 7522.34;
 - iii. *Policy Regarding Assessment and Determination Of Compensation Enhancements* – Adopted 11/1/2012, Amended: 3/8/2017; GC 31461(b)(1) and 7522.34(c)(1).
- b. Retiree Return to Work Monitoring
 - i. GC 7522.56 Retired Persons; Service and Employment Restrictions
 - c. Felony Forfeiture Monitoring and Notification – GC 7522.72(g) and GC 7522.74(g).

CA Government Code § 7522.56 (2017)

(a) This section shall apply to any person who is receiving a pension benefit from a public retirement system and shall supersede any other provision in conflict with this section.

(b) A retired person shall not serve, be employed by, or be employed through a contract directly by, a public employer in the same public retirement system from which the retiree receives the benefit without reinstatement from retirement, except as permitted by this section.

(c) A person who retires from a public employer may serve without reinstatement from retirement or loss or interruption of benefits provided by the retirement system upon appointment by the appointing power of a public employer either during an emergency to prevent stoppage of public business or because the retired person has skills needed to perform work of limited duration.

(d) Appointments of the person authorized under this section shall not exceed a total for all employers in that public retirement system of 960 hours or other equivalent limit, in a calendar or fiscal year, depending on the administrator of the system. The rate of pay for the employment shall not be less than the minimum, nor exceed the maximum, paid by the employer to other employees performing comparable duties, divided by 173.333 to equal an hourly rate. A retired person whose employment without reinstatement is authorized by this section shall acquire no service credit or retirement rights under this section with respect to the employment unless he or she reinstates from retirement.

(e) (1) Notwithstanding subdivision (c), any retired person shall not be eligible to serve or be employed by a public employer if, during the 12-month period prior to an appointment described in this section, the retired person received any unemployment insurance compensation arising

Contra Costa County Office of the Auditor-Controller

out of prior employment subject to this section with a public employer. A retiree shall certify in writing to the employer upon accepting an offer of employment that he or she is in compliance with this requirement.

(2) A retired person who accepts an appointment after receiving unemployment insurance compensation as described in this subdivision shall terminate that employment on the last day of the current pay period and shall not be eligible for reappointment subject to this section for a period of 12 months following the last day of employment.

(f) A retired person shall not be eligible to be employed pursuant to this section for a period of 180 days following the date of retirement unless he or she meets one of the following conditions:

(1) The employer certifies the nature of the employment and that the appointment is necessary to fill a critically needed position before 180 days have passed and the appointment has been approved by the governing body of the employer in a public meeting. The appointment may not be placed on a consent calendar.

(2) (A) Except as otherwise provided in this paragraph, for state employees, the state employer certifies the nature of the employment and that the appointment is necessary to fill a critically needed state employment position before 180 days have passed and the appointment has been approved by the Department of Human Resources. The department may establish a process to delegate appointing authority to individual state agencies, but shall audit the process to determine if abuses of the system occur. If necessary, the department may assume an agency's appointing authority for retired workers and may charge the department an appropriate amount for administering that authority.

(B) For legislative employees, the Senate Committee on Rules or the Assembly Rules Committee certifies the nature of the employment and that the appointment is necessary to fill a critically needed position before 180 days have passed and approves the appointment in a public meeting. The appointment may not be placed on a consent calendar.

(C) For employees of the California State University, the Trustees of the California State University certifies the nature of the employment and that the appointment is necessary to fill a critically needed position before 180 days have passed and approves the appointment in a public meeting. The appointment may not be placed on a consent calendar.

Contra Costa County Office of the Auditor-Controller

(3) The retiree is eligible to participate in the Faculty Early Retirement Program pursuant to a collective bargaining agreement with the California State University that existed prior to January 1, 2013, or has been included in subsequent agreements.

(4) The retiree is a public safety officer or firefighter hired to perform a function or functions regularly performed by a public safety officer or firefighter.

(g) A retired person who accepted a retirement incentive upon retirement shall not be eligible to be employed pursuant to this section for a period of 180 days following the date of retirement and subdivision (f) shall not apply.

(h) This section shall not apply to a person who is retired from the State Teachers' Retirement System, and who is subject to Section 24214, 24214.5, or 26812 of the Education Code.

(i) This section shall not apply to (1) a subordinate judicial officer whose position, upon retirement, is converted to a judgeship pursuant to Section 69615, and he or she returns to work in the converted position, and the employer is a trial court, or (2) a retiree of the Judges' Retirement System or the Judges' Retirement System II who is assigned to serve in a court pursuant to Section 68543.5.

Policy on Internal Revenue Code Section 415 Compliance

As adopted on December 8, 2010 and amended on January 9, 2013 and July 11, 2018.

Tests Performed

In order to test the timeliness, reasonableness and accuracy of the pensionable compensation and contributions that have been reported to the retirement system, the test plan incorporated the following elements:

Accuracy of Payroll Information provided to CCCERA

- Calculated sample size of active OAC members during the test used for pensionable payroll and contribution audit testing. The sample included twenty-five (25) members, of which sixteen (16) members were Legacy and nine (9) members were PEPRA with hire dates after January 1, 2013. Selected five (5) of the sample members for reconciling timesheets to payroll system information.

Contra Costa County Office of the Auditor-Controller

- Timeframe and scope selected for the audit: January 2015 through December 2017. Using the random sample of active members during the period, OAC payroll records and contributions (both employee and employer paid) were tested in the audit using the following target payroll periods – November 2015, April 2016, November 2016, and April 2017.
- OAC’s timekeeping and submission workflows were reviewed. OAC staff was interviewed regarding their timekeeping practices and payroll preparation steps which were captured in a workflow document.
- Contribution amounts were recalculated based on reported salaries for the employee sample and compared to contribution amounts recorded in CPAS.
- Compensation items flowing into reported salaries were reviewed for pensionability.
- Reported pensionable compensation was compared to IRC compensation limits.

Publicly Available Pay Schedule

- It was reviewed whether the County could provide a publicly available pay schedule as defined per CCCERA’s Pensionable Compensation Policy.

Salaries in Accordance With Publicly Available Pay Schedules

- Salaries for OAC sample employees were reviewed against applicable memoranda of understanding, letters of understanding, management resolutions, and other applicable salary and pay documentation.

Enrollment of All Eligible Employees

- New member enrollment was reviewed for 2016 and 2017.

Pension Benefit Review

- The pension benefit calculations for a sample of four (4) retired members who retired after January 1, 2016 were reviewed for compliance with all applicable laws, Board of Retirement regulations and CCCERA policies and practices. One (1) benefit calculation was reviewed for calendar year 2016, two (2) for 2017 and one (1) for 2018.
- The 2017 IRC Section 415 limits calculated by CCCERA for OAC retirees were reviewed and compared to pension benefit payments made.

Contra Costa County Office of the Auditor-Controller

Retiree Return to Work Monitoring

- It was reviewed whether OAC's retirees that returned to work for fiscal years 2015-2016 and 2016-2017 were in compliance with the 960 hour fiscal year limit.

Forfeiture of Benefits Earned or Accrued from the Commission of a Felony

- It was reviewed whether CCCERA received a notification from the County for OAC employees regarding a potential felony forfeiture and whether this notification was processed appropriately if applicable.

OAC Payroll and Reporting Process

The County's payroll process is segmented by functionality and assigned to different departments. The departments perform their own timekeeping activities. This audit's scope is limited to reviewing OAC's timekeeping and payroll workflow up to the point where the department submits its timekeeping data to the general County payroll and pensionable compensation and contribution reporting workflow.

- Employees covered by labor agreements under Local 2700 and Local 512 must submit hardcopy timecards on a weekly basis and at the end of the month. Exempt/unrepresented employees or employees covered by Local 21 only need to complete a timecard once at the end of the month if they used their accruals. Otherwise no timecard is needed as OAC employs negative reporting, meaning only time off, sick, or other absences from work are reported on the timecards.
- Timecards for all employees are submitted to the employees' supervisor. The supervisor reviews and approves the timecards by signing it. If the supervisor detects an error, the timecard is referred back to the employee. The employee makes the necessary correction and submits the timecard again to the supervisor. Once approved, all timecards are forwarded to the Executive Secretary who reviews them again. If an error is detected, the timecards are referred back to the supervisor for resolution of the error.
- In the event that the need for an adjustment is noticed after timecard approval but before the payroll cut-off date, the Executive Secretary makes the correction and forwards the timecard to the employee's supervisor for re-signing. If the adjustment is noticed after the cut-off date, the Executive Secretary will email Payroll (Department of OAC) who will process the adjustment and update Kronos, the County's timekeeping system, as needed. Adjustments can be initiated by the employee, the employee's supervisor or the Executive Secretary.
- Once all timecards are approved and all applicable adjustments are made, the Executive Secretary inputs the timekeeping data manually into Kronos.

Contra Costa County Office of the Auditor-Controller

Contributions Review

- CCCERA staff recalculated the pension contributions remitted to CCCERA and compared the result to actual contribution data. The pensionable compensation components were identified along with the corresponding employer and employee contributions. This data was then reconciled to the pensionable compensation and contribution reports uploaded into CPAS. Variances were identified between each source to system of record reconciliation.

Data categories reviewed are:

- Total Employee Contribution Amount
- Basic Employee Contributions
- Basic Employee Contribution Rate
- Employee COLA
- Employee COLA Rate
- Total Employer Contributions
- Basic Employer Contributions
- Basic Employer Contribution Rate
- Employer COLA
- Employer COLA Rate

Observations:

- No material differences were observed between recalculated contribution amounts and PeopleSoft data. A total of thirteen (13) rounding differences of +/- \$0.01 or less were observed for all sample months.
- No subventions were observed for OAC sample employees during the review period.
- No material variances were observed when comparing PeopleSoft data to data residing in CPAS for OAC sample employees. One (1) variance of \$0.01 was observed for one (1) sample employee. PeopleSoft shows \$6,249.41 for Sample Employee #11 in November 2015. The input file shows \$6,249.415 as pensionable pay and CPAS shows \$6,249.42. It appears that the pensionable pay amount was rounded up in CPAS and rounded down or truncated in PeopleSoft.

Contra Costa County Office of the Auditor-Controller

Timekeeping Sample Review

The review of the payroll preparation workflow showed a manual data entry process to transfer data from OAC's timecards to Contra Costa County's timekeeping System Kronos. To review whether the manual keying of data resulted in errors, an end-to-end review for a representative sample of five (5) employees has been performed.

Observations and Explanations:

- No variances were observed between OAC's timecards and PeopleSoft data.

Payroll Reporting – Pensionable Compensation and Contribution Review

A compensation review was performed for compensation items in excess of base pay that were reported for OAC employees for the four (4) sample months of November 2015, April 2016, November 2016 and April 2017.

Observations:

Table 1: OAC Pay Codes for Sample Months

Pay Code	Description
L05	Longevity Pay @ 2.5%
L06	Longevity Pay @ 5%
C37	Countywide Acctng Diff
C39	Certificate Prof Accounting
AU3	Auto Allow Department Heads
V11	Sale of Vacation L 2.5%
V21	Sale of Vacation L 5.0%

- Seven (7) compensation items other than base pay were reported for OAC employees.
- Two (2) instances of vacation sales under pay codes V11 - *Sale of Vacation L 2.5%* and V21 - *Sale of Vacation L 5.0%* were observed in the sample months. Both of these employees were not part of the audit sample. No vacation sales were observed within the employee audit sample.
- All compensation items observed are pensionable for Legacy members.
- No differentials were reported as pensionable for PEPRA members.

Contra Costa County Office of the Auditor-Controller

Compensation Limits

Table 2: IRC Compensation Limits for 2016 and 2017

	2016	2017
PEPRA in Social Security	\$117,020	\$118,775
PEPRA not in Social Security	\$140,424	\$142,530
Legacy	\$265,000	\$270,000

OAC employees did participate in Social Security in 2016 and 2017.

Observations:

- No Legacy employee exceeded the \$265,000 and \$270,000 in total compensation for OAC in 2016 and 2017 respectively.
- No PEPRA employee exceeded the PEPRA compensation limits of \$117,020 and \$118,775 in 2016 and 2017 respectively.

Publicly Available Pay Schedule Review

At the beginning of the audit the salary schedule effective July 1, 2017 was available on the County's website. This schedule was later replaced by the salary schedule effective July 1, 2018. In addition, the employer was able to produce the preceding two pay schedules applicable to the audit period upon request by CCCERA.

The schedules fulfill the requirements listed in the test standard.

Salaries in Accordance With Publicly Available Pay Schedules

Salaries of the sample employees for OAC were reviewed against the publicly available pay schedule, applicable memoranda of understanding, letters of understanding, employment agreements, and other applicable salary and pay documentation:

- For November 2015 and April 2016 no variances between salary schedule and paid salaries observed.

Contra Costa County Office of the Auditor-Controller

- For November 2016 and April 2017, no variances were observed for all positions listed in the salary schedule. However, the position of "Financial Systems Manager" (LBSE) was not listed in the salary schedule effective June 1, 2016.
- Per OAC response to CCCERA's follow-up, the position described by job code LBSE was newly established on November 1, 2016. The provided salary information matched the sample employee's actual pay. In addition, job code LBSE was present on the following publicly available pay schedule published on May 19, 2017.

Enrollment of all Eligible Employees

Observations:

2017

- CCCERA received nine (9) enrollment entries for eight (8) individuals in the I29 reports in 2016. One entry was a duplicate and one (1) was a rehire. The required seven (7) enrollment packets were received in a timely manner.

2016

- CCCERA received eight (8) enrollment entries in the I29 reports in 2016. All correlating enrollment packets were received in a timely manner.
- One (1) enrollment packet was missing the signature on CCCERA Form 102. A completed Form 102 has since been received.

Pension Benefit Review

The pension benefit calculations for four (4) of OAC's retirees were reviewed; one (1) for 2016, two (2) for 2017 and one (1) for 2018. The review focused on the final average salary (FAS) period selected and compensation used in the calculation for sample members.

Observations:

- The review agreed with the FAS period chosen and the compensation used in the calculations for all four (4) members.
- For one member (Pension Sample Employee #3), seventy-eight (78) vacation sale hours were included in pensionable compensation used to calculate the benefit. After reviewing

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the County's Salary Regulations, salary schedule, hours eligible for sale and recalculating the vacation pay rate and vacation sale amount, the auditor agrees that this was correct.

Internal Revenue Code Section 415 Compliance

OAC monitors County retiree pension benefits for IRC Section 415 Compliance which places annual limits on the dollar amount of an annual pension benefit that can be paid out of a 401(a)(17) government defined benefit pension plan. In addition, OAC administers the County's pension benefit replacement plan for those retired members that are subject to the annual IRC pension benefit payment limits. This process is performed for all County employees and not on a department basis. This audit is limited to OAC's department internal workflows and related data. Therefore the County-wide workflow and review is out of scope for this audit.

Depending on the year of retirement, some retired members may be grandfathered and not subject to the annual limit. In the course of the audit the 2016 and 2017 pension benefit payments that were made to retired members of OAC were reviewed. The following was observed:

- One (1) retired member is tracked annually and their benefit is suspended when the annual pension benefit payment limit is reached;

On an annual basis CCCERA staff reviews projected annual retirement pension benefit payroll and identifies those members that may be subject to the IRC Section 415 limits. CCCERA provides notification to the employer advising the month during the year that the member's pension benefit payment will be suspended so that the employer can coordinate the commencement of its employer administered pension benefit replacement plan payments.

Retiree Return to Work Monitoring

GC 7522.56, I.R.S. bona fide separation and normal retirement age rules

There are two ways retirees may return to work for a CCCERA participating employer: on an approved limited basis while receiving their pension, or by suspending their retirement to return to full time employment. The PEPRA 2013 "return to work" rules create a framework under which a retiree's eligibility will be determined to be re-employed without having to be reinstated from retirement. The "return to work" rules affect new, deferred, and current employees.

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The Board of Retirement Regulations Section VII Normal Retirement Age and Bona Fide Separations states the following:

Bona Fide Separation from Service

A) In order to comply with tax law restrictions on in-service distributions, a member who retires at an age younger than Normal Retirement Age, as defined herein, may not enter into an agreement, either oral or written, prior to the date the member's retirement commences, to be reemployed while retired by the same CCCERA employer, regardless of the length of the member's break in service after retirement. The member must acknowledge in writing to CCCERA at the time of retirement that the member has been informed of these requirements and limitations on post-retirement employment and that no prearrangement to be reemployed while retired exists.

B) A member who retires at an age younger than Normal Retirement Age, as defined herein, must have at least a continuous 90-day break in service from the date of the member's last day of employment prior to being reemployed while retired by the member's prior CCCERA employer.

C) If a member is reemployed without compliance with subsections (A) and (B) above, the retired member's retirement benefits from CCCERA must cease as soon as practicable upon discovery by CCCERA and will not resume until the member has a bona fide separation from service or reaches Normal Retirement Age, whichever occurs first.

Employer Certification and Determination – Submission of CCCERA Form 213 Certification for Post-Retirement Employment.

- No pre-arrangement for post-retirement re-hire;
- Reinstatement from retirement requirement if rehired by an employer in the same public retirement system from which the retiree receives the benefit;
- Waiting period between retirement date and rehire of a retiree (with some exceptions for Safety Members and special circumstance General Members);
- Fiscal Year Limitations – 960 Hours;
- Limited duration of the return to work (7522.56(c).);
- Compensation Limits;
- Employer certification and approval by the Board of Supervisors (7522.56(f)(1).);
- Retiree certification of non-receipt of unemployment insurance compensation (7522.56(e).).

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Observations:

- OAC employed three (3) retirees who returned to work in fiscal year 2015-2016 and fiscal year 2016-2017.
- None of the retirees who returned to work for OAC worked more than 960 hours in 2016 or 2017.
- It was stated during the on-site interview that post-PEPRA procedures were only applied to one (1) of the three (3) retirees as this individual was the only retiree (Retiree #3) with retirement date after January 1, 2013. The review confirmed that the other two (2) retired in 2009 and 2011.
- Retiree #3 was employed with OAC twice after retirement, once from April 5, 2016 to February 1, 2017 and once from November 20, 2017 to current. For both instances, a CCCERA Form 2013 – *Certification for Post-Retirement Employment* was submitted to CCCERA.
- As Retiree #3 retired on January 1, 2016, there was no 180 day break between retirement and the first rehire date. However, the retiree was re-hired for a critically needed position and the appointment was approved by the County's Board of Supervisors in a public meeting. This individual's task was to train new staff and supervise the creation of all of the written procedures of the Division. As this individual retired from the position they were rehired for, they had the specialized knowledge and experience required for the position.
- It was confirmed that the employee's rate of pay was never below or above the pay range posted in the publicly available pay schedule.
- CCCERA Forms 213 certify that no unemployment insurance compensation was received in the 12-months preceding each re-employment.

Conclusion

Based on the review of the single retiree who retired after January 1, 2013 and who was rehired to work for OAC, OAC is in compliance with PEPRA Government Code Section 7522.56.

Forfeiture of Benefits Earned or Accrued from the Commission of a Felony

Test Standard

Reporting Requirements For Public Employers Under PEPRA require the public agency that employs or employed a public employee who was convicted of a job related felony must notify CCCERA of the conviction within 90 days of the conviction. (Govt. Code §§ 7522.72(f) and 7522.74(f)).

Contra Costa County Office of the Auditor-Controller

Observations:

The review indicated that CCCERA had not received any notice from the employer regarding any employee of OAC that would have been subject to the felony conviction and benefit forfeiture provisions under government statute. OAC confirmed that they knew of no such employee.

Contra Costa County Office of the Auditor-Controller

Follow-Up Items

The following items were noted during the course of the review and require follow-up by OAC and CCCERA:

The department has no follow up items.

Contra Costa County Office of the Auditor-Controller

County Response

Kristina Dohrn

From: Lisa Driscoll <Lisa.Driscoll@cao.cccounty.us>
Sent: Tuesday, October 30, 2018 3:30 PM
To: Wrally Dutkiewicz; David Twa
Cc: Bob Campbell; Haj Nahal; Gail Strohl; Kristina Dohrn
Subject: RE: CCCERA Preliminary Audit Report - Office of the Auditor Controller

Wrally,

Thank you for forwarding the Preliminary Employer Audit Report conducted by CCCERA on the Office of the Auditor Controller. We agree with the findings and have no questions nor comments.

..... Lisa

Lisa Driscoll, County Finance Director
651 Pine Street, 10th Floor
Martinez, Ca 94553
(925) 335-1023

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From: Wrally Dutkiewicz <WDutkiewicz@cccera.org>
Sent: Monday, October 29, 2018 1:24 PM
To: David Twa <David.Twa@cao.cccounty.us>
Cc: Lisa Driscoll <Lisa.Driscoll@cao.cccounty.us>; Bob Campbell <Bob.Campbell@ac.cccounty.us>; Haj Nahal <Haj.Nahal@ac.cccounty.us>; Gail Strohl <GStrohl@cccera.org>; Kristina Dohrn <KDohrn@cccera.org>
Subject: CCCERA Preliminary Audit Report - Office of the Auditor Controller

Mr. Twa,

Please find the attached Preliminary Employer Audit Report conducted by CCCERA on the Office of the Auditor Controller.

The Preliminary Audit Report is scheduled to be presented to the CCCERA Audit Committee at its meeting on Wednesday, November 7, 2018 and the department staff are welcome to attend this public meeting. The final audit report is scheduled to be presented to the Board of Retirement at its Wednesday December 12, 2018 meeting.

A hard copy of this report has also been sent via USPS to your office.

In the interim, should you have any questions please contact me. I would be happy to discuss.

Wrally Dutkiewicz
Compliance Officer

CCCERA

1

Contra Costa County Office of the Auditor-Controller

1355 Willow Way
Suite 221
Concord, CA 94520
925.521.3960
wduchkiewicz@cccera.org

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Meeting Date
12/12/18
Agenda Item
#14

CCCERA 2019 COMPLIANCE ACTIVITY PLAN

Prepared by Wrally Dutkiewicz
Compliance Officer
December 2018

Table of Contents	Page
Introduction.....	2
Scope & Mission.....	2
Risk Assessment.....	3
Internal Audit Risk Assignments.....	6
Employer Audit Risk Assignments.....	7
Internal Audit Process.....	8
Employer Audit Process.....	9
Reporting & Follow Up.....	10
2018 Compliance Activity Recap.....	11
2019 Compliance Activity Plan.....	13

Introduction

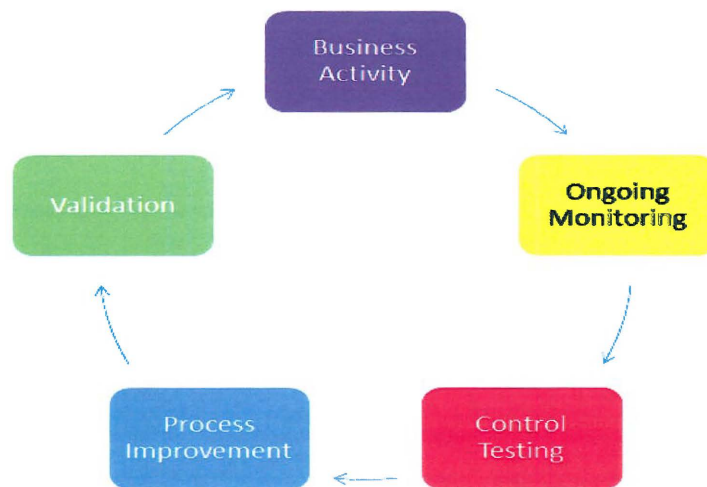
The Compliance Officer is authorized to engage in audit programs, risk assessments, and to coordinate audit efforts with external auditors to ensure compliance with CERL, PEPR, IRC, DOL, and other government statutes.

Auditing is the principal tool for the Compliance Department to evaluate the efficacy of the CCCERA's internal controls, compliance, governance, and risk management.

Scope & Mission

The IIA Standards, CERL, PEPR and CCCERA's policies provide the framework within which the Compliance Officer performs audits to support, manage, and test CCCERA's Compliance Program and to determine the priorities for compliance activities. The Compliance Officer prepares an annual Audit Plan and Risk Assessment to help identify, measure, and prioritize potential issues based on the level of risk to the retirement system, and advise CCCERA Executive Management on the potential regulatory, administrative, and fiscal impact of those risks. The purpose of the annual Audit Plan is to outline the work to be performed and is designed to cover high risk activities while limiting the scope of work to what can realistically be accomplished during the upcoming fiscal year.

The goal is to create a continually validating compliance program that is integrated into business processes:



The annual compliance planning process includes the following major planning activities:

- Defining the Compliance Universe
- Conducting a Risk Assessment
- Preparing the Compliance Activity Plan
- Presenting the Compliance Activity Plan

The audit process encompasses the following five stages:

1. Planning
2. Audit Fieldwork
3. Reporting
4. Quality assessment
5. Follow-up

Risk Assessment

The Risk Assessment for audit planning is the process of systematically scoring (or rating) the relative impact of a variety of “risk factors.” A risk factor is an observable or measurable indicator of conditions or events that could adversely affect the organization. Various risk factors will be used to measure inherent risks (such as the complexity of operations or regulations) or organizational vulnerability (such as weak internal controls).

A questionnaire is completed for each business process activity to score the level of risk for each of the risk factors identified. Also, weights are assigned to each risk factor based on relative importance as determined by input from management. The final step to complete the Risk Assessment is to calculate the total risk score for each business process activity in order from highest risk score to the lowest by tabulating the information gathered from the questionnaires and applying the weights assigned to the risk factors.

The Compliance Department prepares a Risk Assessment Worksheet that provides a weighted risk assessment score for each business activity component under review. If a business activity is comprised of several functional parts, the overall risk assessment will be the average of the sum of the risk assessment scores for its component parts.

The Risk Assessment Worksheet takes into consideration the following eight risk factors:

<p>Incapacitation: Significance of an impairment event on the ability to meet strategic and/or organizational goals and objectives. Amount of impact the business activity process has on the retirement system's constituents.</p>
<p>External Influence: Concern about adverse publicity; laws and regulations; customer demands; and political exposure.</p>
<p>Internal Controls:</p> <ul style="list-style-type: none"> • The internal control structure takes into consideration the adequacy of written procedures and whether or not controls have been previously tested. • Degree of segregation of duties and responsibilities, supervision and training, planning for business resumption and contingency, and reconciliation controls, make exposures for this audit.
<p>Complexity:</p> <ul style="list-style-type: none"> • Business process has many steps and several control points. May include both manual and system based steps; • Complexity can increase both the probability of error and the effort required to monitor the business activity process. Includes complexity of federal and state laws, rules and regulations governing a particular program.
<p>Information Technology Controls:</p> <ul style="list-style-type: none"> • Computer applications affect the accuracy and timeliness of completed work tasks, as well as the productivities of the staff. Information systems should process information in a secure, reliable and accurate manner. • Age, condition, extent of manual user intervention, efficiency and effectiveness of the data processing system specific to this business activity, and the perceived impact of general information technology controls related to: consistent use of an acceptable systems development methodology (including programmer and user documentation and testing procedures), consistent use of an acceptable project management system, effective computer maintenance change controls (to assure application program changes are properly authorized, managed, and recorded), and effective logical access security to guard against unwarranted access and unauthorized changes to computer programs and/or data.
<p>Change:</p> <ul style="list-style-type: none"> • Changes in operation to meet statutory, regulatory, and legal requirements, and/or to address organizational restructuring including modifications to manual or automated procedures such as increased use of technology. • Changes in operations can impact the efficiency and effectiveness of the retirement system's performance. Criteria include changes in staff size, processing changes (manual to computerized), systems (input and/or output), as well as staff turnover. This area includes concerns of rapid growth, which includes rapid growth of personnel size and of additional programs added to an operational area.

Risk Assessment Scoring assigns a weighting to each of the ten risk assessment factors to generate an Overall Risk Assessment Score. This scoring is used to create a risk based map of CCCERA's operations over time to aid in its governance, risk, and compliance (GRC) strategic planning.

A “risk assignment” refers to the subjective classification of risk based on judgment rather than observation. A “risk assessment” refers to the assignment of risk based on observable facts, activities, identified threats, and empirical analysis.

The focus of the “risk assignment” review is to prioritize business activities that CCCERA’s compliance department will review in connection with its Compliance Activity Plan. The following criteria are used during the “risk assignment” assignment review:

- Financial Exposure
- Compliance – Laws and Regulations
- Complexity of Operations
- Public Exposure

Internal Audit Risk Assignments:

Risk assignments will be reviewed, validated and adjusted through the risk assessment component of each department's written operational procedures (WOPs) and written supervisory procedures (WSPs). Adjustments to the risk assignments will also take into consideration each department manager's procedural priority list on which each manager has self-identified an operational or supervisory item requiring updating, retooling, or the development of a new procedure.

The development and implementation of updated department procedures is an ongoing goal and CCCERA Compliance will work with each of the department managers and advise on matters concerning workflow, technical applications of government code and BOR policy, and supervisory tools and structures.

With input and guidance from CCCERA's Audit Committee, the Internal Audit work plan will take into consideration the ongoing testing, monitoring, and ad hoc audit items that will be reviewed.

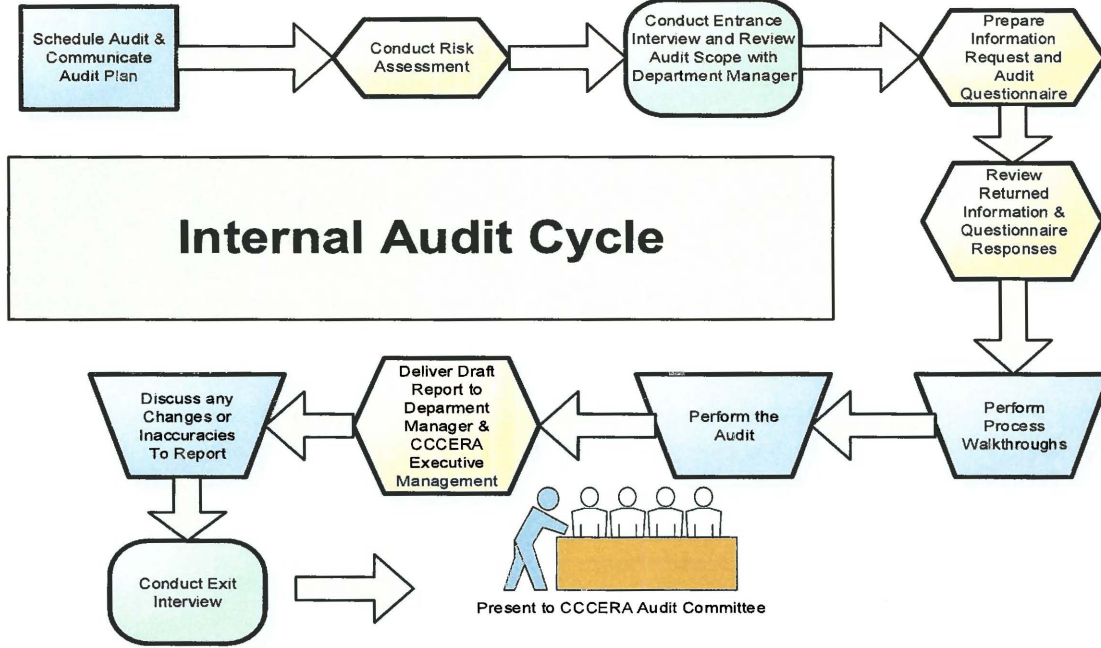
Employer Audit Risk Assignments:

With respect to Employer Audits, similar risk assignment criteria is used to establish a priority review framework to plan areas of focus for employer audits. The following chart indicates those employer business activities that generally fall within the employer audit scope:

Control Item	Control Test
Payroll Procedures	Review Payroll Transactions and compare district payroll register with data reported to CCCERA to ensure pay rates in compliance with posted salary information
Payroll Data & Conveyance	Review process for reporting payroll to CCCERA. i) Timeliness; ii) Validation (time keeping, vacation, sick leave, disability, overtime)
Earn Code Classifications	Inventory of earn code classification - i) allowable pensionable compensation; ii) compensation calculation - methodology
Internal Controls/EUC	Review District's Internal Controls WSPs - i) segregation of duties; ii) system access; iii) reporting levels
Contract between CCCERA & District	MOU & Clarifying Addendums - in compliance with BOS/BOR/CERL Requirements
Correspondence Between CCCERA & District	Does communication methods support SLA (Service Level Agreements)?
Personnel Procedures	Inventory of WSP (Written Supervisory Procedures) and match against regulatory & CCCERA policy requirements
Enrollment Procedures	Review District Employee new hire enrollment procedures and match against regulatory & CCCERA Policy Requirements i) Part-Time/Temporary Employees; ii) Retired Employees; iii) Independent Contractors
Employee Classification	Review District Employee Classification to match against reported group, function and eligibility
CCCERA Policy Compliance	Review Compliance with i) Financial Controls; ii) Administrative Controls; iii) Procedural Controls
CERL Compliance	Match governance and policies against regulatory requirements

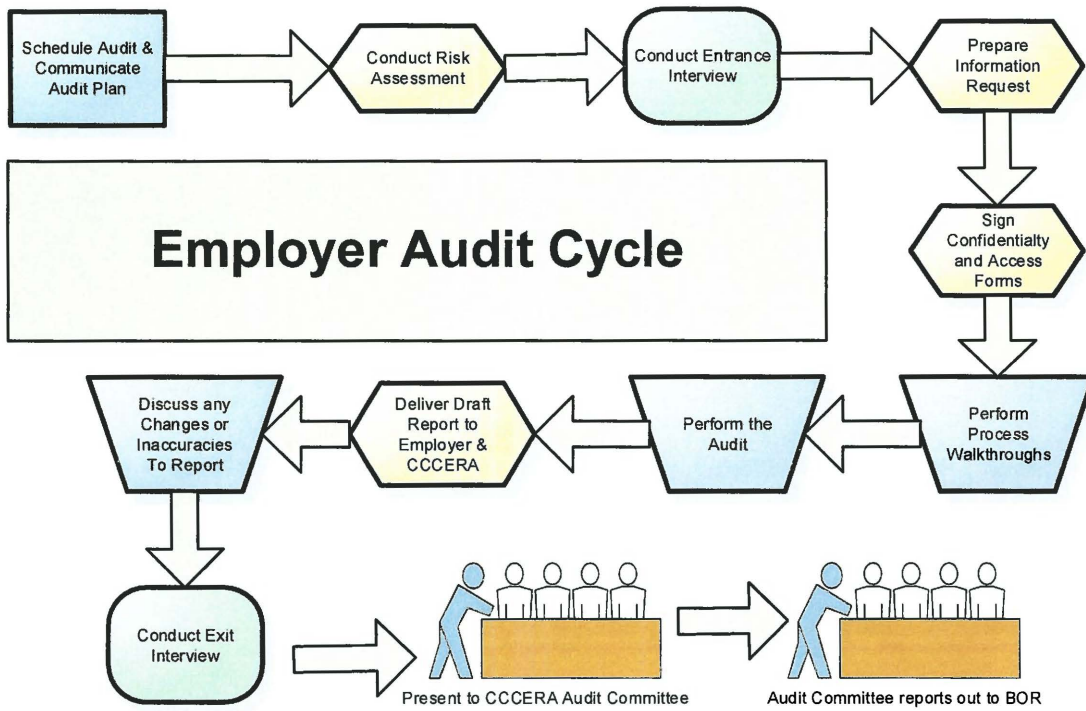
The Audit Process

Internal Audit



The Compliance Officer will obtain a sufficiently detailed explanation of the business process from CCCERA staff. This process will be documented in the working paper files. Such documentation may take the form of a narrative description, a flowchart depiction, or a combination of both when appropriate.

Employer Audits



Upon completion of the audit, CCCERA staff will provide to the Board a written report of the audit results and the conclusions of the auditor and CCCERA staff. A copy of the report will be provided to the employer at least 10 days prior to any Board discussion or action.

Reporting

At the conclusion of fieldwork for each audit, the Compliance Officer will prepare a draft report of significant findings and observations including any significant risk exposures and control issues, fraud risks, or governance issues identified during the audit. The report should be accurate, objective, clear, concise, constructive, complete, and timely.

The “Audit Work-Paper Report” includes the audit objectives, the scope of audit work performed, an overview of the business or activity, an opinion on the adequacy of the internal controls, conclusions regarding significant finding and observations, and recommendations to management to address any issues found. The report will also acknowledge when satisfactory performance is determined.

Follow-Up

Follow-up work is performed after the completion of an audit. It entails the Compliance Officer reviewing recommendations with management and determining whether the weakness in procedures or processes identified have been adequately corrected in accordance with the management response and committed timelines. In addition, the Internal Auditor will also follow up any recommendations issued by external auditors or the actuary.

All recommendations arising from the auditor are summarized in an audit recommendations file maintained by the Compliance Officer. The file is continuously updated with the implementation status of the recommendations. Any information obtained as part of the follow up process, is electronically retained in a Follow Up file. Quarterly, a formal review of the status of outstanding recommendations will be completed and presented to CCCERA Executive Management and the Audit Committee when there are recommendations outstanding that still need to be properly implemented.

2018 Compliance Activity Recap

2018 Compliance Internal Control Reviews & Projects Recap:

Sources of Areas Selected For Audit

Areas selected for audit can come from a variety of sources. These include risk assessment, management and employee requests, surprise audits and allegations of fraud, waste, and abuse.

Risk must be one of the primary factors in selecting areas for audit. Risk for some aspects of CCCERA operations is higher than others for many reasons. This includes the type of activities, financial and operational impact to CCCERA and its members if something were to go wrong. Those areas of the CCCERA and its participating Employers which are high risk should receive more audit attention than those of lower risk. It should be noted, however, that areas of lower risk should not be ignored; rather, they should be done with less frequency than the higher risk areas.

- Projects:
 - Develop Compliance Monitoring and Reporting Tools in Caseware IDEA:
 - Employer Audit Pensionable Compensation and Contribution Testing Tool
UPDATE: Data map and source tables identified and compiled. Tool development and testing ongoing from October 2018 along with development of department level trending and tracking reports through December 2018.
 - Scope out specifications and requirements to develop top level compliance monitoring tool and report suite for core business activities – this will be an internally developed tool and suite of reports.
UPDATE: Business activity risk assessments are being updated. Reporting metrics are being identified and will be incorporated into initial report templates.
- Compliance and Internal Controls Activities:
 - Accounting Department Procedures and Supervisory Structure – procedural and reporting review and update.
UPDATE: Ongoing. Next steps to collaborate with accounting staff to map workflow, identify and codify internal control points and develop trending and tracking reports. In progress through first half 2019.

- Member Services and Retirement Services procedural review, reporting, and internal control update.
UPDATE: Department has draft updated procedures in development.
Compliance staff will collaborate with Member Services staff to identify core reporting metrics and develop trending and tracking reports through the first half of 2019.

2018 Employer Audits:

CCCERA compliance resources will be focused on a review of the following audit scope items:

- Timekeeping and Payroll Reporting
- Pensionable Compensation Reporting
- Employer and Employee Pension Contribution Reporting
- Employee Enrollment Procedures
- Retiree Return to Work Monitoring
- Member Felony Forfeiture – Employer Notification Review

The following employer audits have been completed in the 2018 audit cycle:

- Contra Costa County Auditor Controller's Office – Final Audit Report dated November 30, 2018;
- Contra Costa County Department of Information Technology – Final Audit Report Dated November 30, 2018;
- Moraga Orinda Fire Protection District – Final Audit Report Dated November 30, 2018;
- Contra Costa County Public Defender's Office – Final Audit Report Dated October 3, 2018;
- Contra Costa County Housing Authority – Final Audit Report Dated October 3, 2018
- Rodeo Hercules Fire Protection District – Final Audit Report Dated October 3, 2018
- San Ramon Valley Fire Protection District – Final Audit Report Dated August 15, 2018.

Compliance Activity Planned for 2019

The focus of internal control reviews in 2019 will be on reporting, trending and tracking, and compliance with Government Code and Board of Retirement regulations.

Internal Controls Reviews

- Interest Crediting
- Vendor Audit
- Tax Compliance:
- Compensation Limits;
- Tax Reporting:
 - 1099R – include basis calculations and taxable amount un/known; and
 - Form 945 submissions and tax remittances

- Investment Fee Audit
- County Pensionable Compensation and Contribution Reporting Quality Assurance Audit

Projects

- Collaborate with CCCERA department managers and staff to develop Key Risk Indicators (KRIs) for each core business activity and map to codified written procedures;
- Draft Request for Proposal (RFP) for an independent enterprise risk assessment.

Procedure Review

Accounting Department:

- Receivables;
- Payables;
- Procedure Review – Risk Based Procedure Development; and
- Index of Procedures

2019 Employer Audits

Employer Audits

The following Employer Audits will be conducted during the 2019 audit cycle. The Employer Audit Workplan continues with Cycle 1 Audits of those employers that have not been audited by CCCERA Compliance previously.

Cycle 1

County Department	Contra Costa County Employment & Human Services
County Department	Contra Costa County Probation Department
County Department	Contra Costa County Office of the Sheriff
County Department	Contra Costa County Clerk-Recorder Elections Department
County Department	Contra Costa County Department of Agriculture
County Department	Contra Costa County Office of Assessor
County Department	Contra Costa County Library
District	Contra Costa County Employees' Retirement Association
District	Contra Costa County In-Home Supportive Services Public Authority
District	Contra Costa County Local Area Formation Commission
District	First 5 Contra Costa Children and Families Commission

Meeting Date
12/12/18
Agenda Item
#15



CCCERA Board Presentation
Private Equity Update

DECEMBER 2018

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An investment involves a number of risks and there are conflicts of interest. Please refer to the risks and conflicts disclosed herein.

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All data as of November 21, 2018 unless otherwise noted.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. ACTUAL PERFORMANCE MAY VARY.

Biographies



TOM KECK, PARTNER, LA JOLLA

Mr. Keck leads StepStone's global research activities and the development of SPI. He is also involved in the Firm's ESG and risk management initiatives.

Prior to co-founding StepStone, Mr. Keck was a managing director at Pacific Corporate Group, a private equity investment firm that oversaw over US\$15 billion of private equity commitments for institutional investors. Before that he was a principal with Blue Capital, a middle-market buyout firm.

Mr. Keck graduated cum laude with a BA from the George Washington University and received his MBA with high honors from the University of Chicago Booth School of Business. He served in the US Navy as a Naval Flight Officer, receiving numerous decorations flying EA-6Bs off the USS Nimitz (CVN-68).



NATALIE WALKER, PRINCIPAL, LA JOLLA

Ms. Walker is a member of the private equity team, focusing on US-based small-market managers and secondary investments.

Prior to StepStone, Ms. Walker was a research analyst at Oppenheimer & Co., a leading national investment bank and full-service investment firm offering investment banking, financial advisory services, capital markets services, asset management, wealth management, and related products and services worldwide. Ms. Walker was a member of Oppenheimer's private equity team, where she conducted due diligence and research on private equity funds, secondary investments and co-investments. Before that she worked for a private equity backed start-up and Women-owned Business Enterprise, Sundance Energy.

Ms. Walker received her BA from Georgetown University McDonough School of Business.

Overview



- I. Private Equity Market Update
- II. Review of Private Equity Program
- III. Private Equity Portfolio Performance

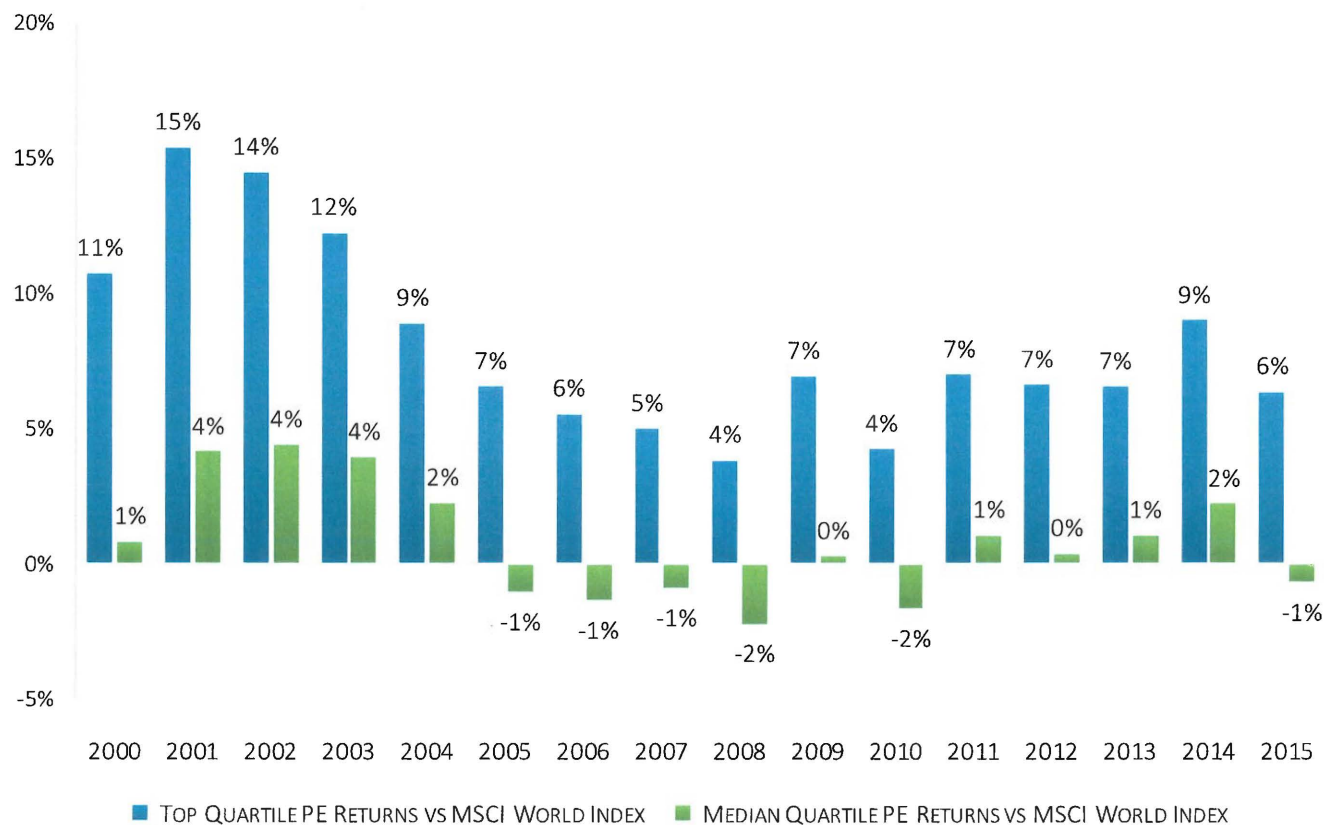
I. PRIVATE EQUITY MARKET UPDATE

Market Overview



TOP QUARTILE PRIVATE EQUITY HAS CONSISTENTLY DELIVERED ALPHA RELATIVE TO THE PUBLIC MARKETS

PRIVATE EQUITY DIRECT ALPHA



2009-13 ARITHMETIC AVERAGE		
AS OF	TOP Q	MEDIAN Q
2Q18	6.3%	0.2%
2Q17	5.5%	-0.4%
Change in bps:	81 bps	63 bps

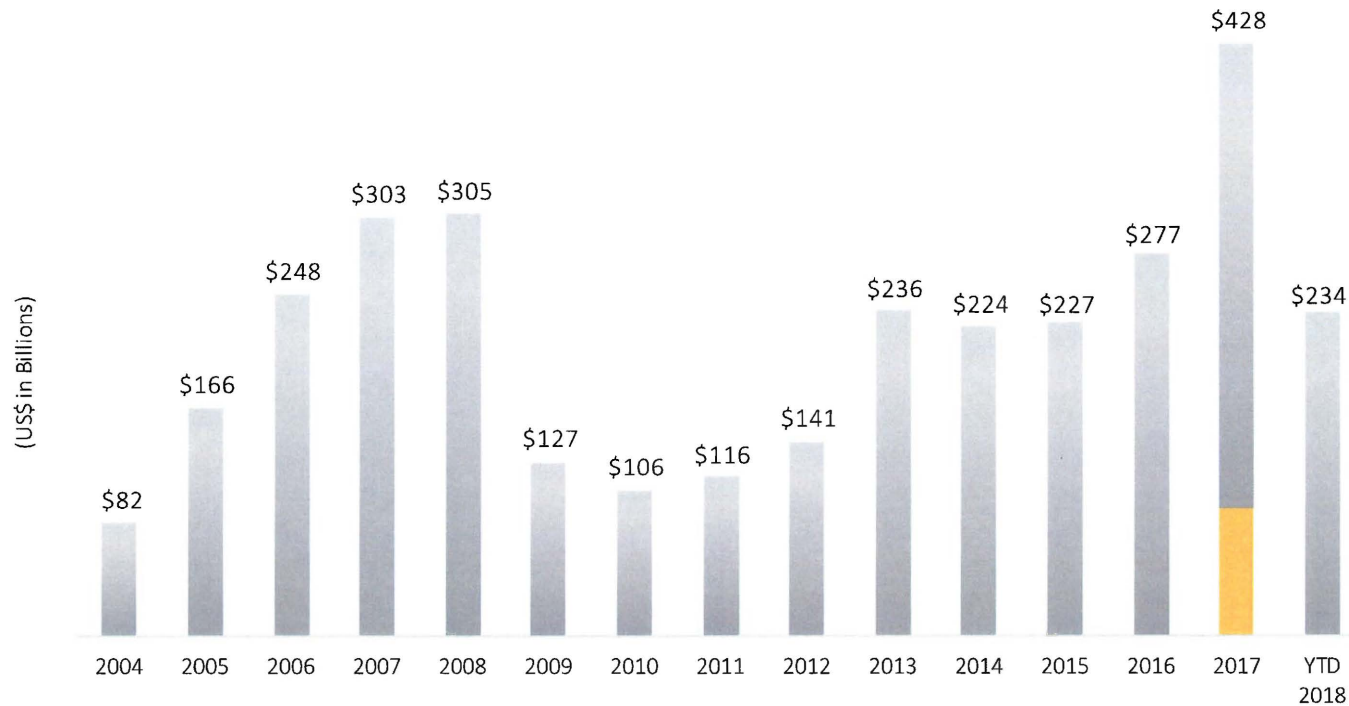
- Historically, Top Quartile Private Equity has outperformed public equities in each of the past 16 vintage years (for which returns are meaningful).
- Median private equity returns have performed in-line with public markets in the last decade.
- The performance of Top Quartile Private Equity is driving continued interest from institutional investors that are searching for returns.

Source: PrivateIQ, as of 6/30/18; The Direct Alpha method formalizes the calculation of the exact alpha (in a continuous time log-return sense) that a PE portfolio has generated relative to the chosen reference benchmark; Data for 2016-2018 not considered relevant given early nature of those vintage years; The referenced indices are shown for general market comparisons and are not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented.

Market Overview

PRIVATE EQUITY FUNDRAISING HAD STABILIZED FROM 2013-2016; HOWEVER, 2017 BECAME THE LARGEST YEAR ON RECORD

GLOBAL PRIVATE EQUITY FUNDRAISING



- The fundraising market has become much more friendly to GPs, with funds becoming oversubscribed in very little time.
- 2018 appears to be in-line with 2013-2016 fundraising amounts.

SoftBank
Vision Fund
\$93 billion
raised in 2017

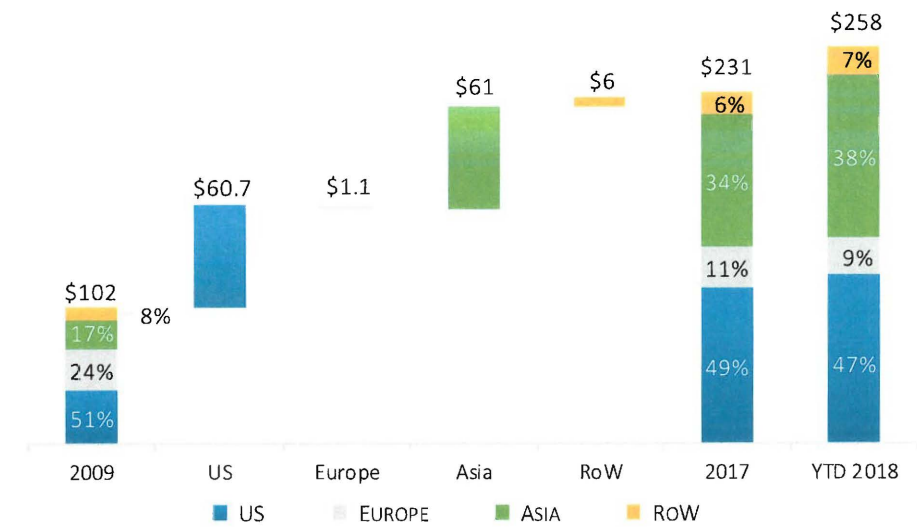
Market Overview

THE FIRST NINE MONTHS OF 2018 IS ALREADY A RECORD YEAR

GLOBAL INVESTMENT ACTIVITY BY YEAR



INVESTED CAPITAL BY REGION



LBO Volume

U.S. DEAL VOLUME IN 2018 IS ON PACE TO SURPASS \$500 BILLION

U.S. LBO VOLUME BY YEAR



Source: Q3 2018 S&P LBO Review
 Some of the data from S&P conflicts with Thomson data; StepStone has not been able to reconcile the different figures.

LBO Volume

EUROPEAN LBO VOLUME HAS GROWN STEADILY SINCE 2015

EUROPEAN LBO VOLUME BY YEAR



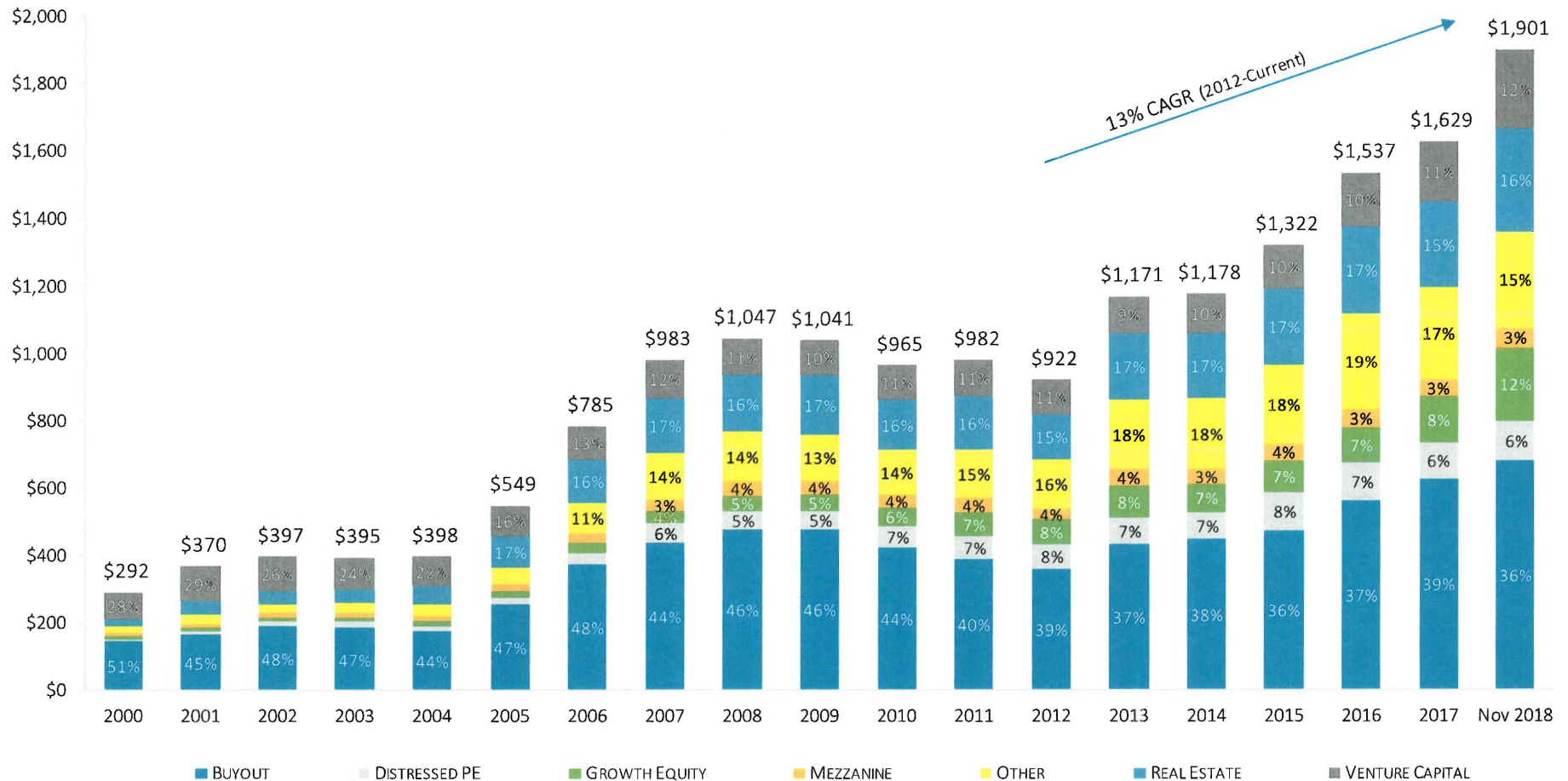
- European LBO deal volume during the first nine months of 2018 has already surpassed all years since 2008.
- Deal volume for the LTM period is €86 billion, higher than any single year since 2007.
- Low growth expectations are making it hard for LBO firms to identify attractive opportunities, thereby increasing competition for quality assets.
- Some of the data from S&P conflicts with the Thomson data; StepStone has not been able to reconcile the different figures.

The volume on this page includes the Total Sources (loans, secured debt, unsecured debt, sub debt, and equity) involved in any sponsored transaction (Leveraged Buyouts, Acquisitions, Refinancing, Recaps, etc). Source: Q3 2018 S&P LBO Review

Dry Powder

FAMILIAR DRY POWDER RUN UP

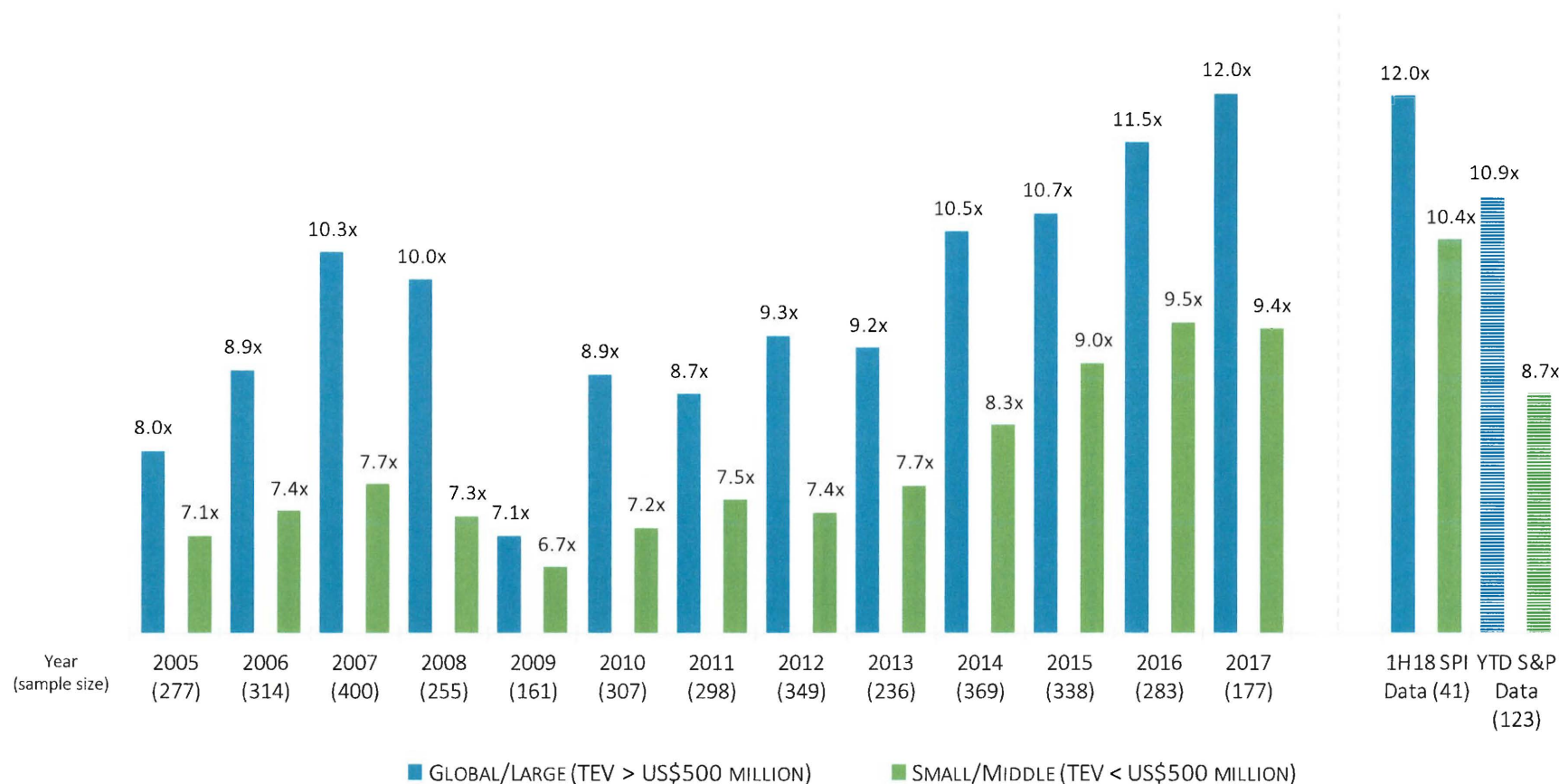
PRIVATE EQUITY DRY POWDER – BY STRATEGY (IN USD BILLIONS)



Purchase Price Multiples

IN THE U.S., PRICES REMAIN AT HISTORICALLY HIGH LEVELS

U.S. PURCHASE PRICE MULTIPLES

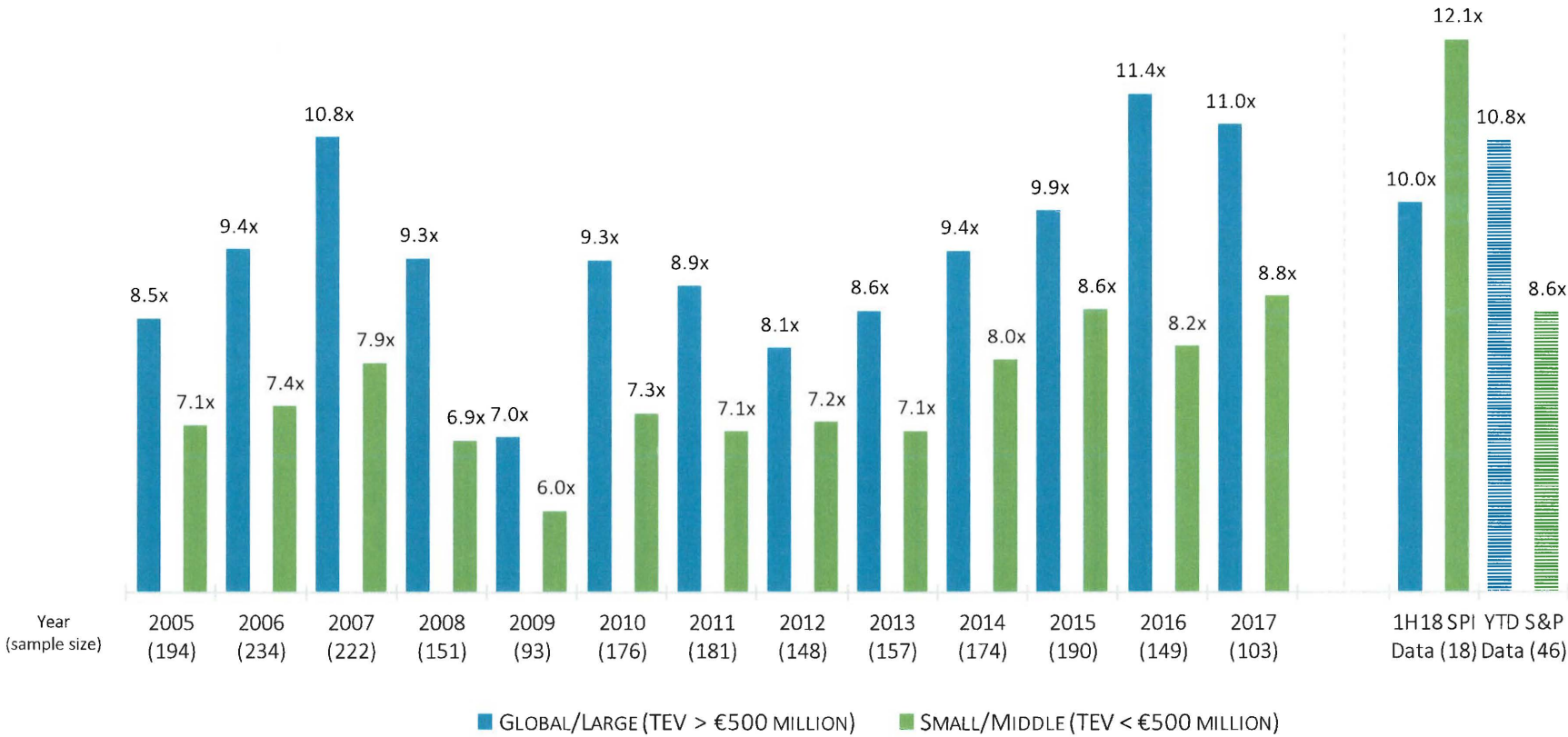


- Low interest rates and high growth expectations explain the high prices.
- StepStone would expect prices to moderate over the next fund cycle.

Purchase Price Multiples

PURCHASE PRICES IN EUROPE HAVE EXHIBITED SIMILAIR BEHAVIOR AS IN NORTH AMERICA

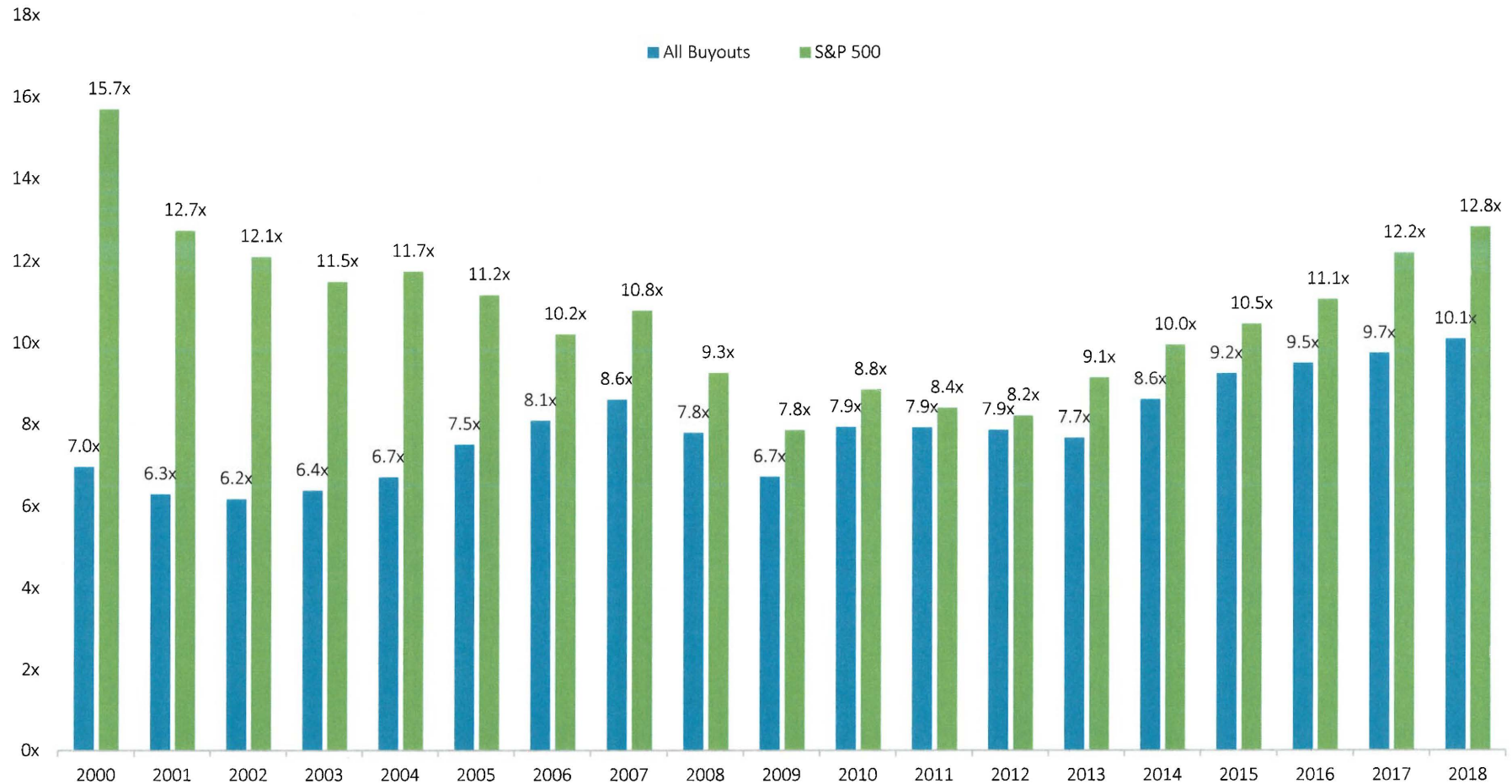
EUROPEAN PURCHASE PRICE MULTIPLES



Source: SPI, StepStone analysis; Q3 2018 S&P data provided by 3Q18 S&P LBO Review; latest available data in SPI as of Q2 2018; SPI data is continuously updated and historical values are subject to change.

Public vs Private Equity Valuations

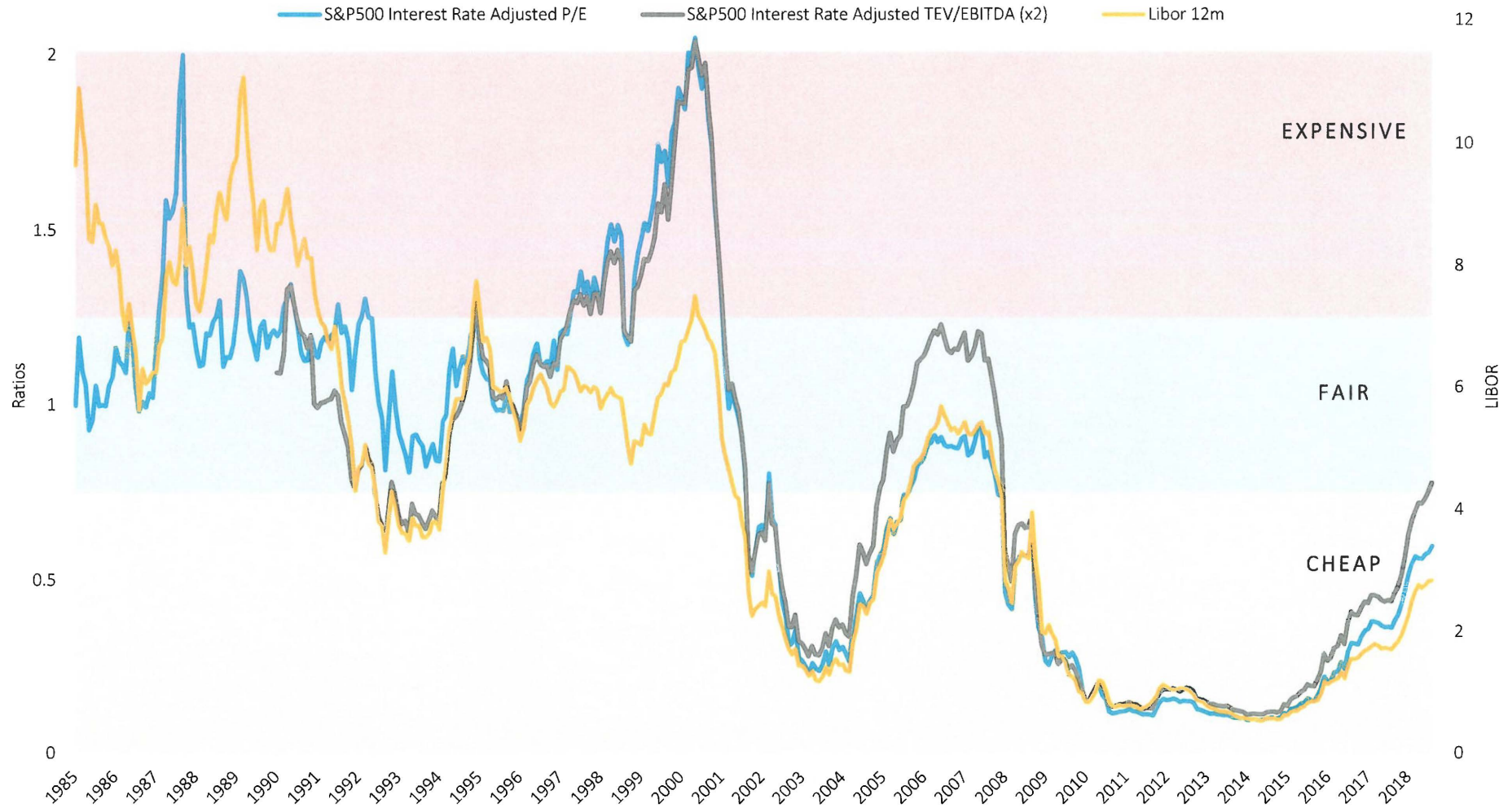
TEV / EBITDA¹



Source: (Buyout Multiples) StepStone Private Markets Intelligence (SPI), as of June 30, 2018. Includes 9,036 Buyout investments made between 1996 and 2018. StepStone acquires proprietary operating metrics through investment due diligence and portfolio monitoring. S&P 500 Multiples based on S&P Capital IQ data as of September, 2018.
 1. All Buyouts Purchase Price Multiples are based on Median TEV / EBITDA while S&P 500 TEV / EBITDA multiples are based on annual averages.

Public Equity Valuations Reaching “Fair”

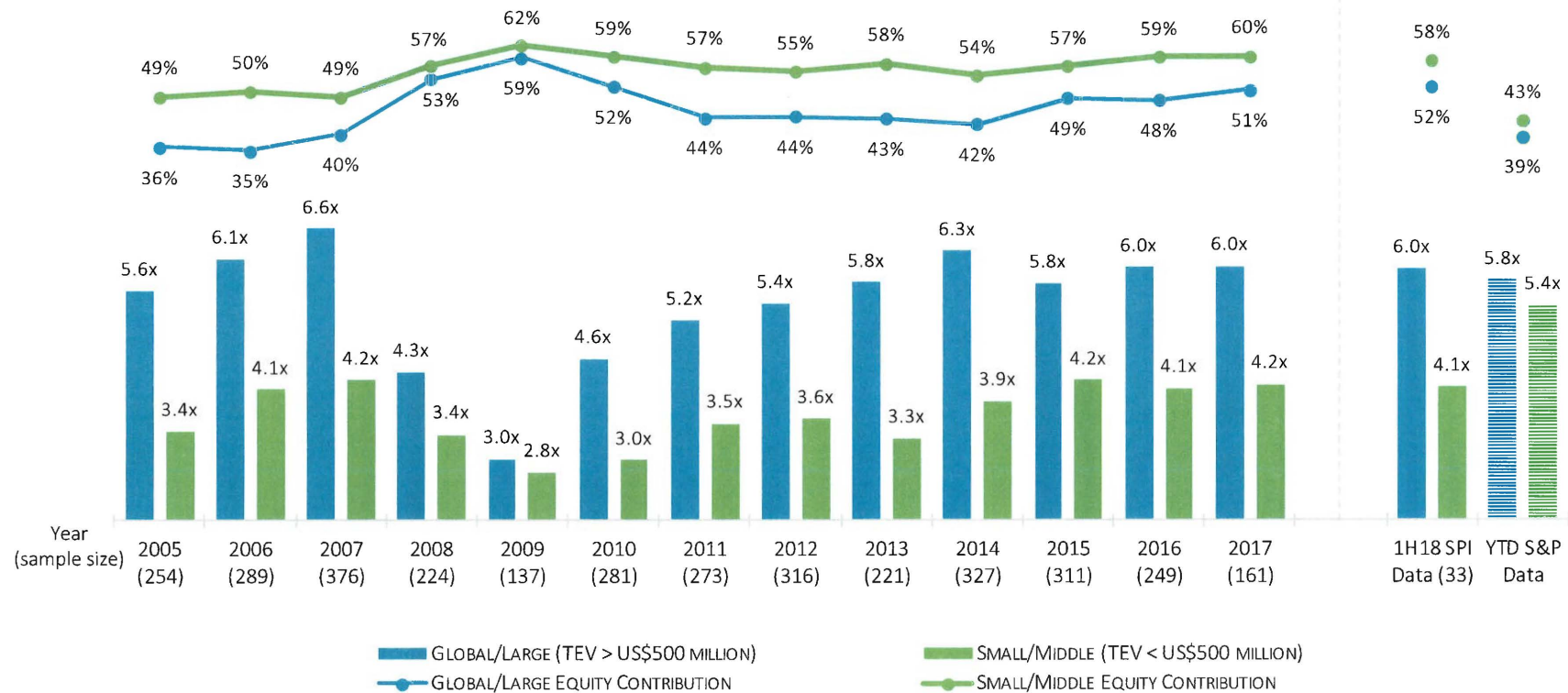
INTEREST RATE ADJUSTED VALUATIONS



Leverage Multiples

EQUITY CONTRIBUTIONS HAVE REMAINED HIGHER THAN PRE-GFC LEVELS

U.S. LEVERAGE MULTIPLES

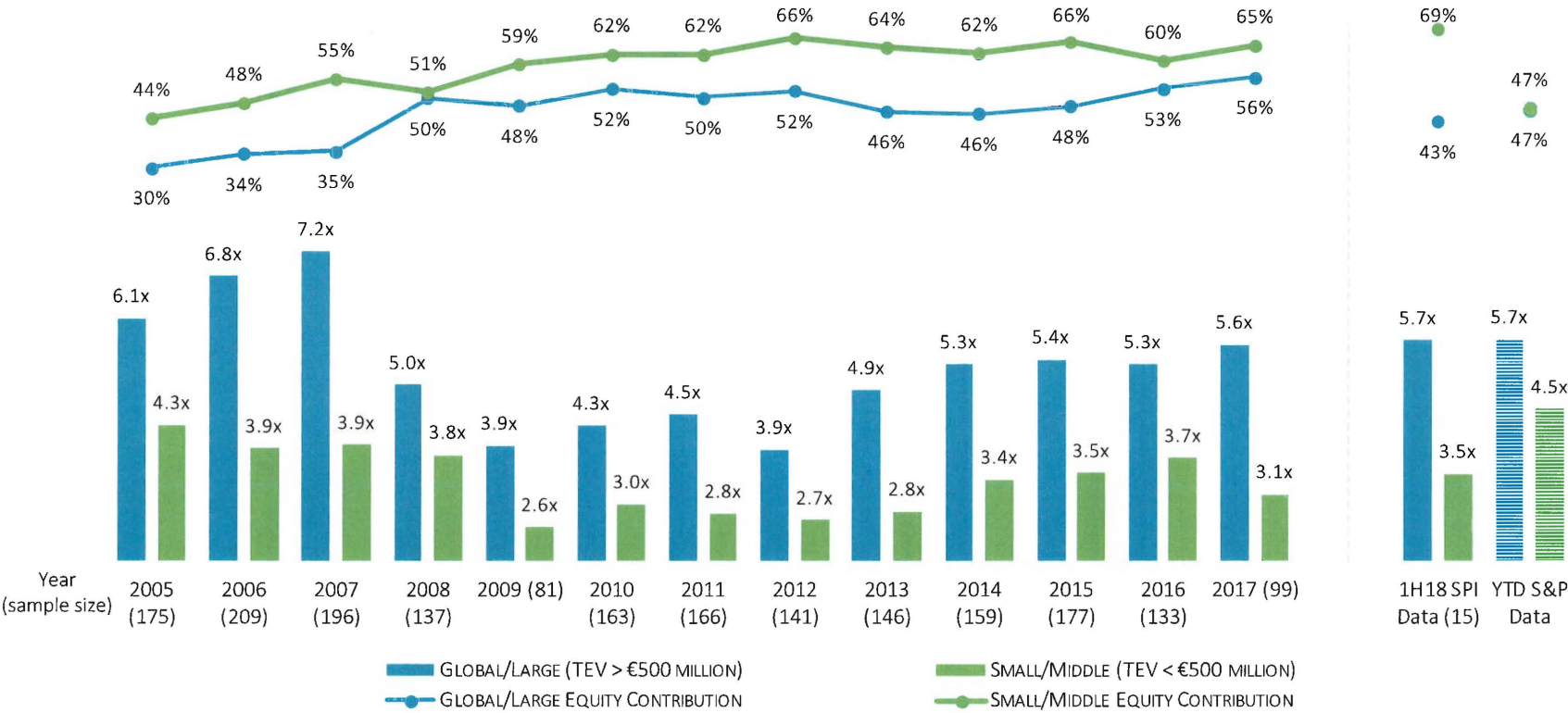


- Leverage multiples in the Global/Large market remain at ~6.0x.
- Prices are higher, but capital structures should be more durable as the equity contributions continue to remain at a healthier level than pre-GFC.

Leverage Multiples

IN EUROPE, LEVERAGE MULTIPLES REMAIN BELOW 2005-2007 IN THE GLOBAL/LARGE MARKET

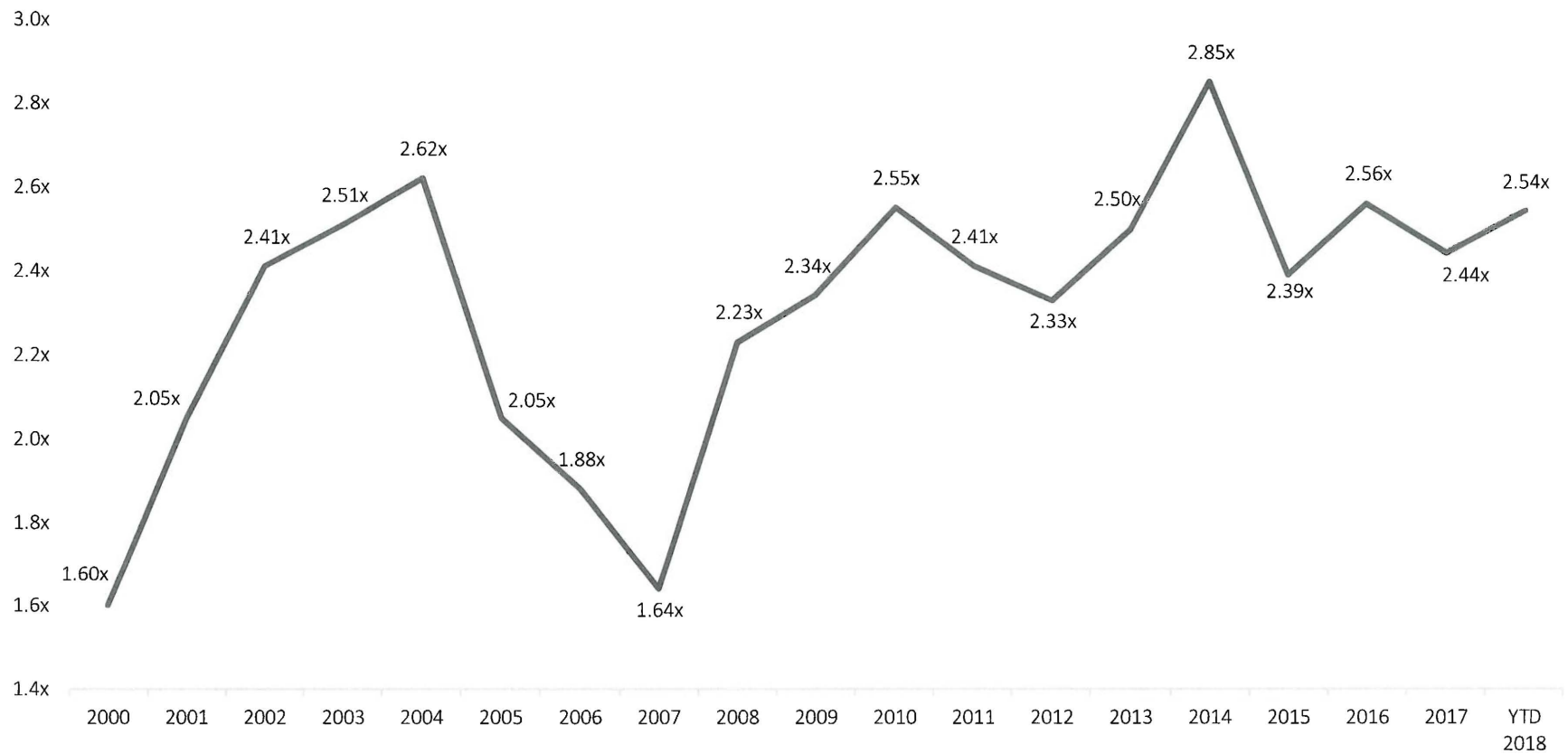
EUROPEAN LEVERAGE MULTIPLES



Source: SPI, StepStone analysis; SPI data is continuously updated and historical values are subject to change; Q3 2018 S&P data provided by 3Q18 S&P LBO Review.

INTEREST COVERAGE LEVELS REMAIN SUFFICIENT

INTEREST COVERAGE RATIO FOR U.S. LARGE CORPORATE LBOs

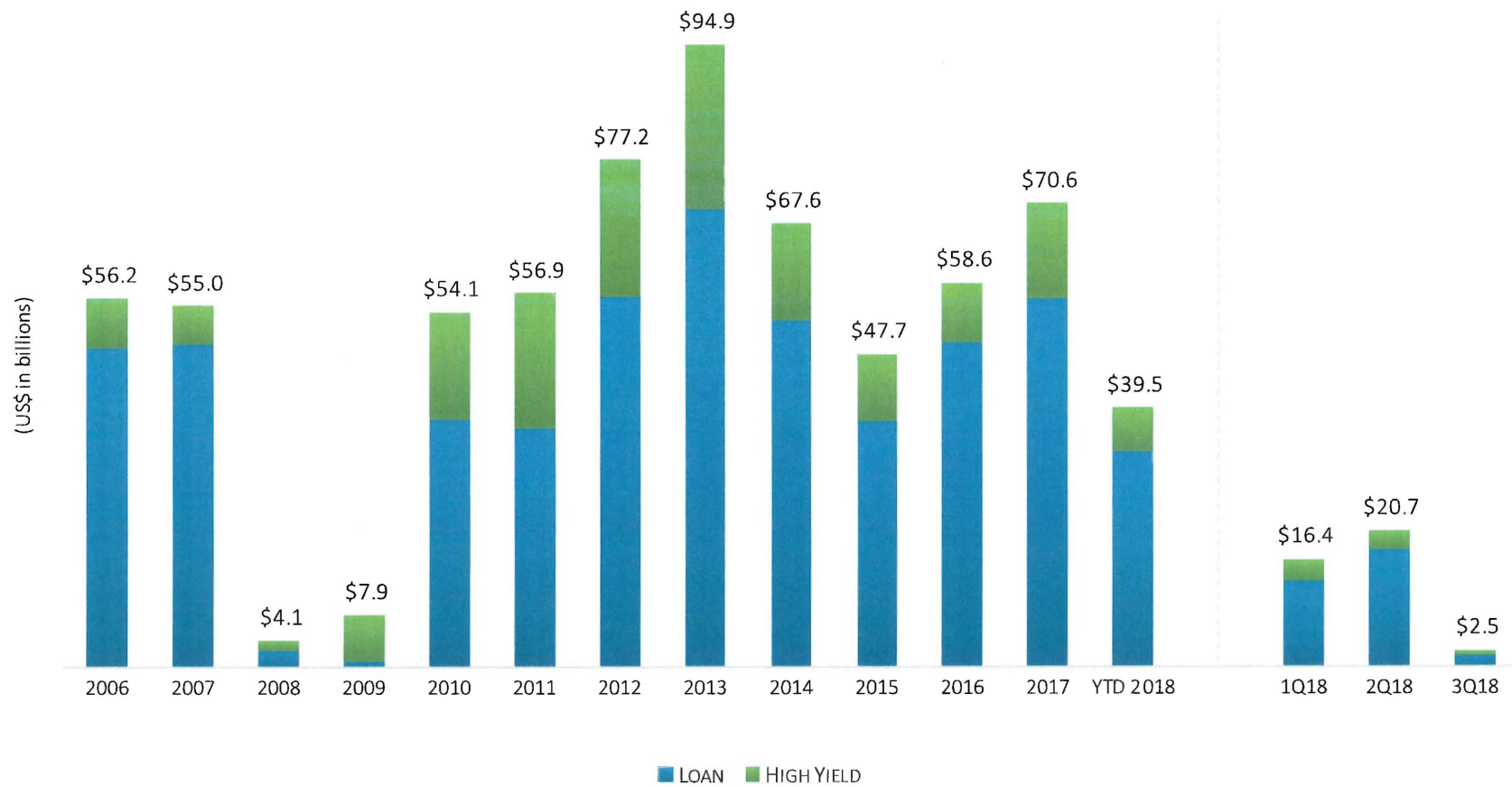


Source: Q3 2018 S&P LBO Review; StepStone Analysis
Note: Interest Coverage Ratio defined as (Adjusted EBITDA – CapEx)/Interest

Debt Markets

DIVIDEND ACTIVITY SLOWED SIGNIFICANTLY IN Q3 2018

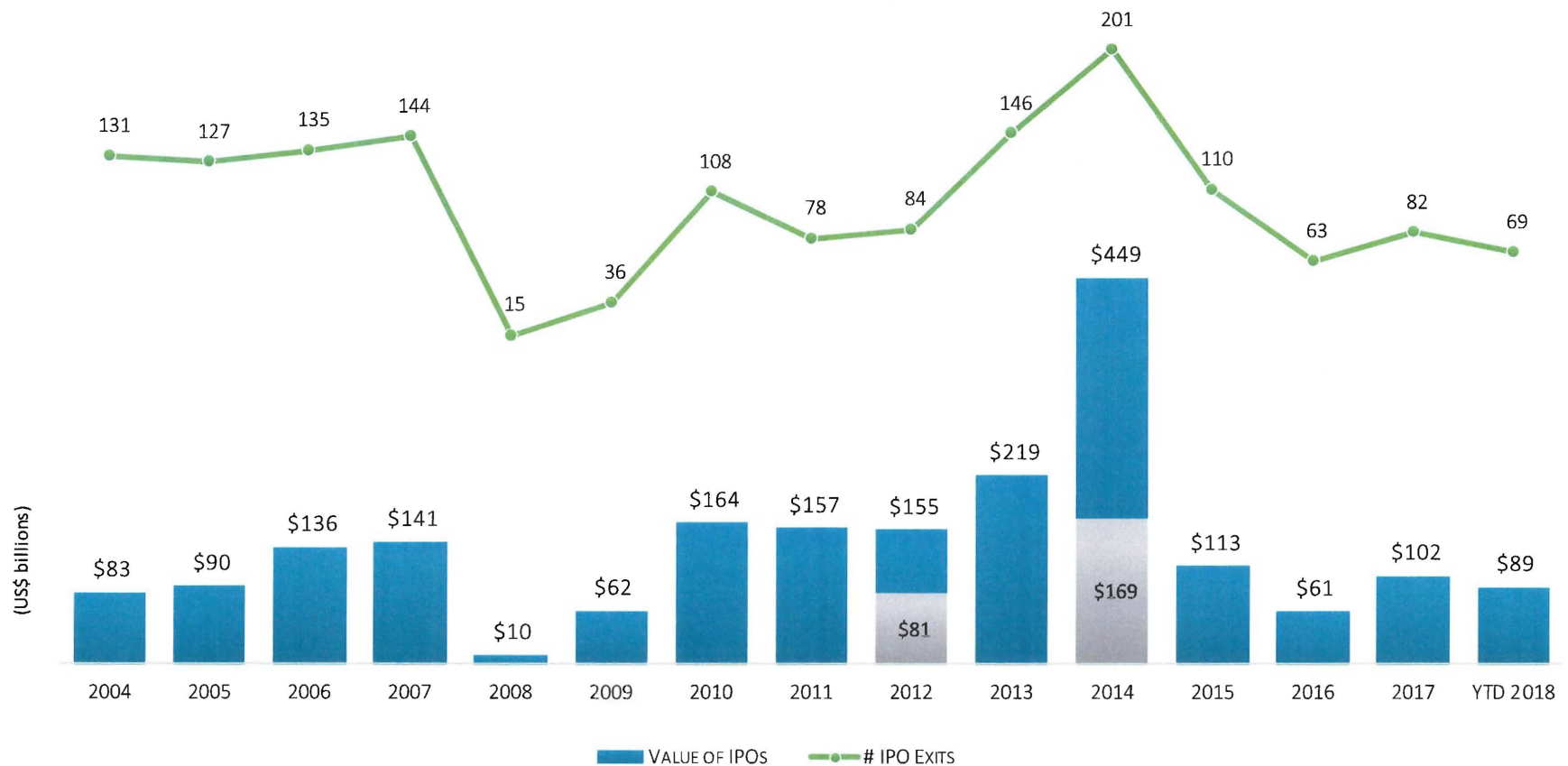
DIVIDEND/STOCK REPURCHASE VOLUME



IPO Market

IPO ACTIVITY HAS BEEN MUTED FOR THE PAST THREE YEARS

IPO ACTIVITY BY YEAR

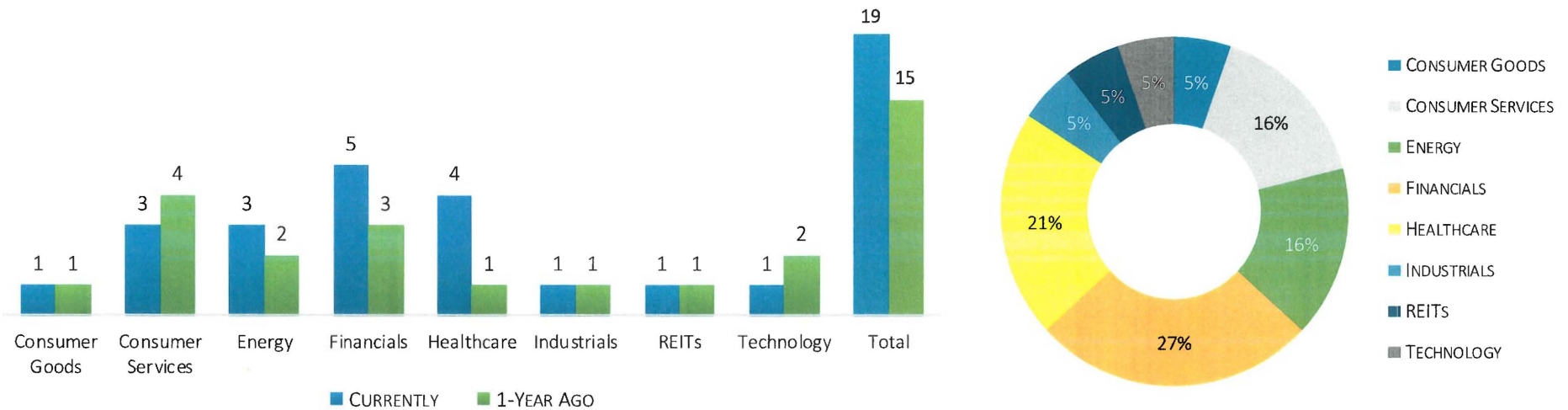


- The largest IPOs during Q3 2018 were Cushman & Wakefield (\$3.5b), Eventbrite (\$1.8b), and Sonos (\$1.5b).

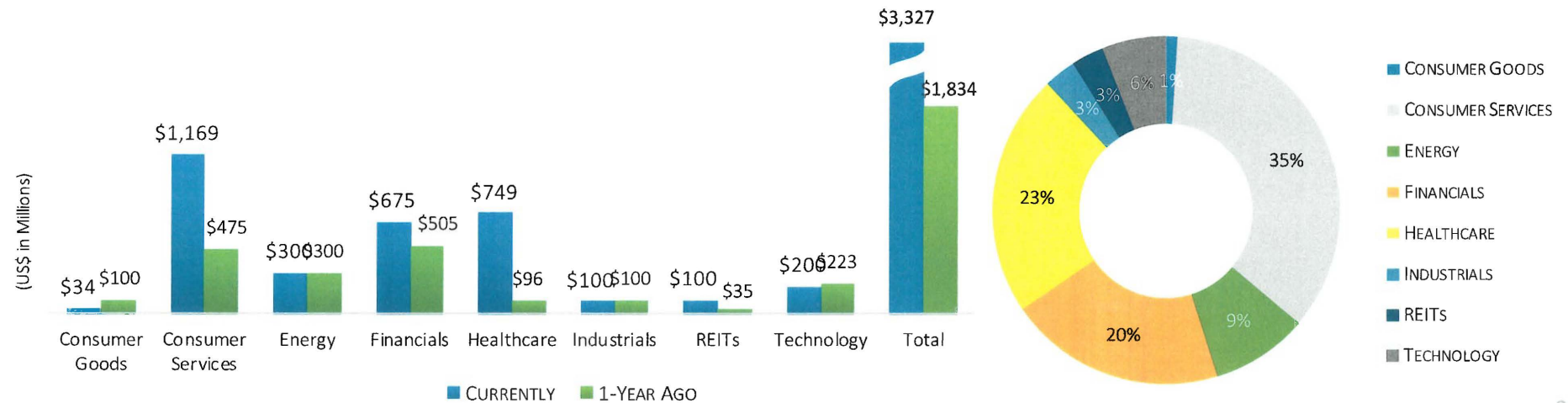
Source: ThomsonOne as of Q3 2018; StepStone Analysis
 In 2012, the grey bar represents the IPO of Facebook (NASDAQ: FB)
 In 2014, the grey bar represents the IPO of Alibaba (NYSE: BABA)

IPO BACKLOG

NUMBER OF PROPOSED DEALS BY SECTOR



VALUE OF PROPOSED DEALS BY SECTOR



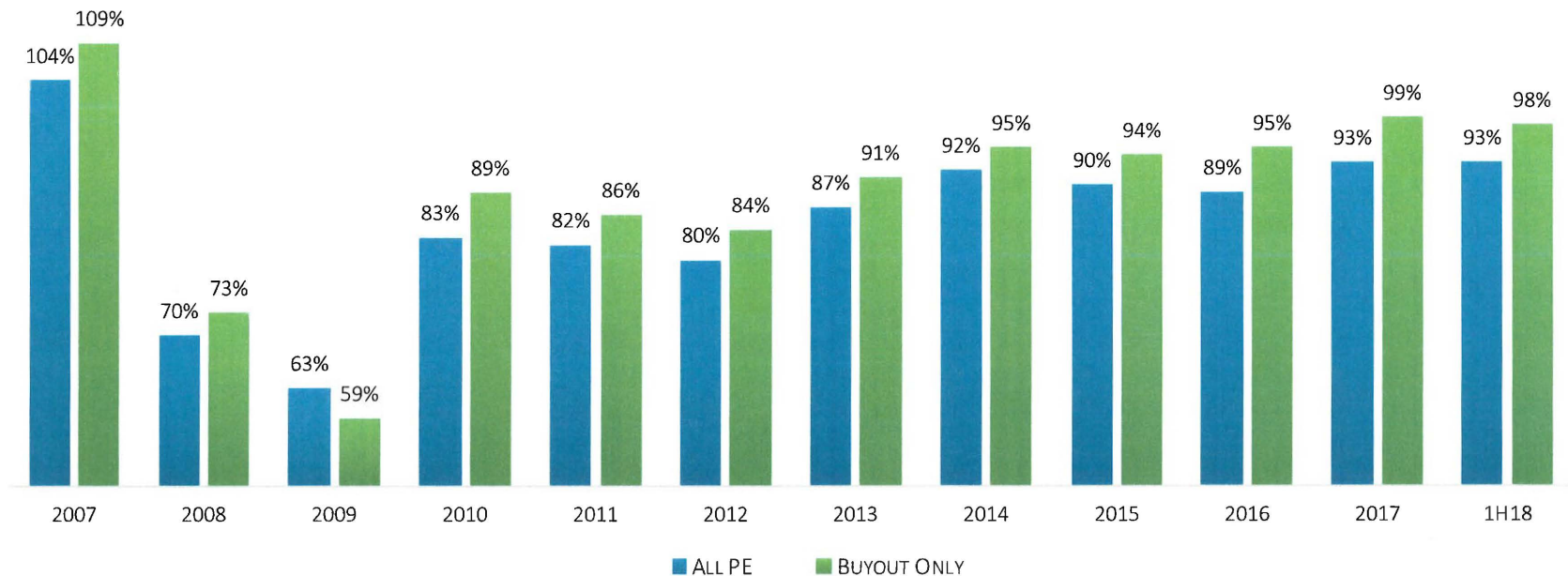
Source: NYSE Euronext, as of November 2018.

Secondary Market Overview

CURRENT INVESTMENT ENVIROMENT

- Secondary market in mature phase of development.
- Conditions exist for continued efficient pricing.
- Outperformance necessitates a distinct strategy and platform advantages.

MARKET SECONDARY PURCHASE PRICE AS A % OF NAV



OFF-MARKET TRANSACTIONS, QUALITY ASSETS
ARE KEY
TO RETURNS IN THE CURRENT ENVIROMENT

II. REVIEW OF PRIVATE EQUITY PROGRAM

Dedicated Private Equity Team

CCCERA BOARD



PORTFOLIO MANAGERS



**Tom Keck, Partner, Head of Research
La Jolla**
*20 yrs. investment experience
PCG, Blue Capital, McKinsey*



**Natalie Walker, Principal
La Jolla**
*11 yrs. investment experience
Oppenheimer & Co.*



**Qi Liu, CFA, Senior Associate
La Jolla**
*10 yrs. investment experience
TorreyCove, Macquarie Group*

- **150+** investment professionals cover **12** sectors across primaries, secondaries and co-investments
- Sought after allocator of **\$31+ bn** annually¹
- Highly networked team attends **3,200+** GP meetings annually²
- Senior team averages **15** yrs. investment experience

INVESTOR RELATIONS



**Jose Fernandez, Partner, COO
La Jolla**
*20 yrs. investment experience
PCG, Latham & Watkins LLP*

- **70+** professionals provide monitoring and reporting and investor relations services
- Service **~8,500** investors across **29** HNW programs and **130+** underlying vehicles
- Senior team averages **12** yrs. relevant experience

LEGAL/STRUCTURING



**Jason Ment, Partner, GC, CCO
New York**
*16 yrs. relevant experience
Citi Private Equity, O'Melveny & Myers LLP*

- **6** professionals negotiate transaction documents and execute fund structuring solutions
- Senior team averages **15** yrs. relevant experience
- **3** additional legal and compliance professionals focus on private debt activities, and **1** focuses on real estate activities

RESEARCH CAPABILITIES

- Strategic Advice
- Manager Selection
- Market Research
- Portfolio Planning

CUSTOMIZED SEPARATE ACCOUNTS

- Separate Accounts
- Targeted Commingled Funds
 - Co-Investments
 - Secondaries
 - Real Estate
 - Venture Capital
 - Private Debt

THOROUGH ACCOUNT ADMINISTRATION

- Investment Monitoring
- Performance & Analytics
- Fund Administration
- Replacement Manager Capabilities
- Portfolio & Risk Management

1. StepStone deployed over US\$31 billion in 2017
2. LTM ended December 31, 2017.

Private Equity Investment Objectives



CCCERA Investment Strategy: Help build a top performing global private equity portfolio by leveraging StepStone's research-intensive approach to invest opportunistically in high quality managers with a long-term view of making capital gains on investments

- Target Asset Allocation: 10.0% of Total Portfolio FMV
- Eligible Asset Classes: Private Equity & Real Assets
- Sub-Asset Class Ranges: Buyout 60-70.0%
 - Special Situations 5-15.0%
 - VC / Growth Equity 5-15.0%
 - Real Assets / Natural Resources 5-15.0%
 - Secondaries 0-10.0%
- Geographic Preference: Global (weighted towards North America)
- Implementation: Primary Mandate

Private Equity Investment Process

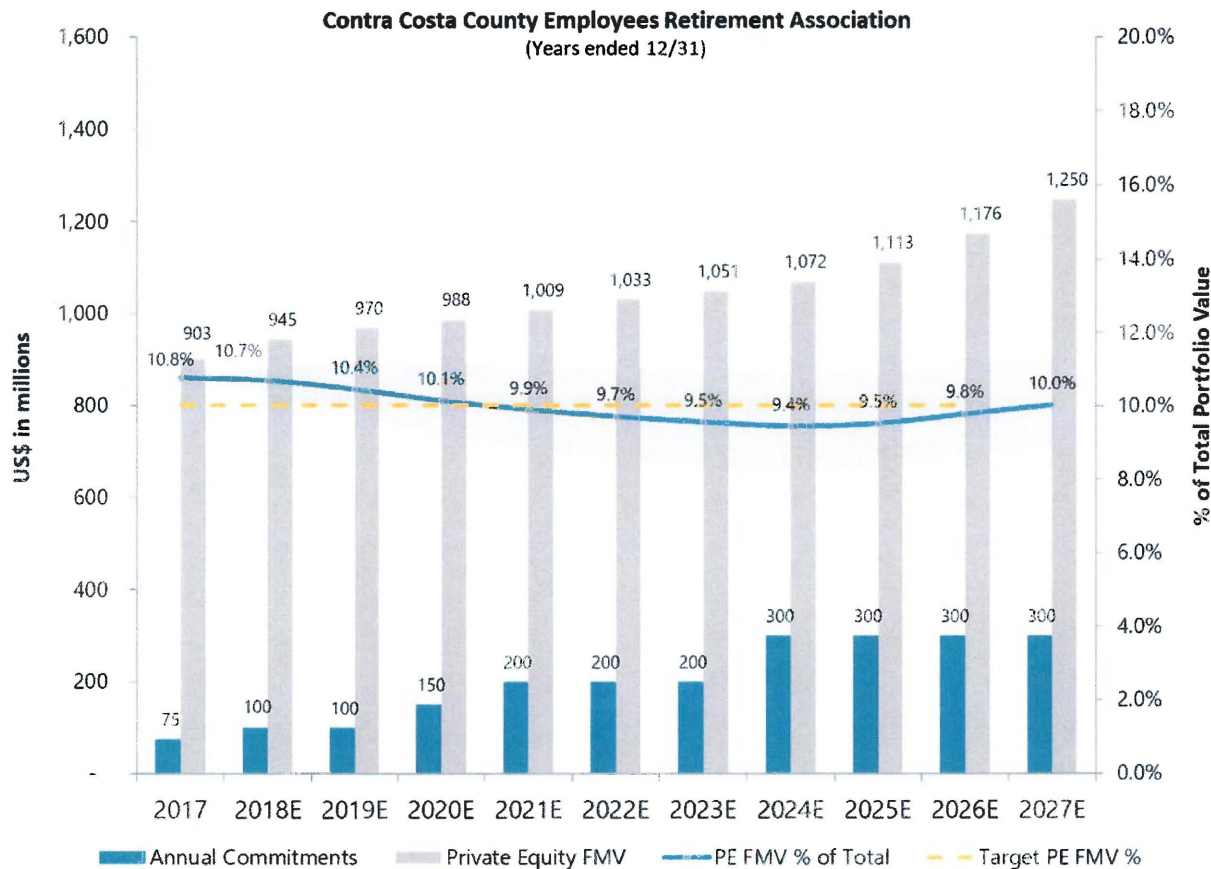
StepStone and Staff collaboration throughout the portfolio planning, investment and reporting process



PE Primary Investment Process:

- PE Primary pipeline flagged and discussed at beginning of each year
- Interim pipeline calls to highlight pipeline updates and provide diligence feedback
- Timely delivery of StepStone’s primary fund investment memo for recommended investments
- Annual audited and quarterly unaudited financial statements on progress of existing investments (FYE Dec 31)

CCCERA Pacing Analysis



Note: While Stepstone currently believes that the assumptions on which the analysis are based are reasonable under the circumstances, there is no guarantee that the conditions on which such assumptions are based will materialize or otherwise be applicable. Plan level projections provided by CCCERA.

Target returns are hypothetical and are neither guarantees nor predictions or projections of future performance. Future performance indications and financial market scenarios are no guarantee of current or future performance. There can be no assurance that such target net IRRs will be achieved or that the investment will be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses. Further information regarding target net IRR calculations is available upon request.

- StepStone completed a pacing analysis for CCCERA’s private equity and real assets portfolio based on a starting total portfolio FMV of \$8.4 billion and a private equity and real assets FMV of \$902.5 million, as of December 31, 2017
- To achieve a 10.0% target allocation over 10 years, StepStone recommends:
 - Committing \$100.0 million per annum in years 1 and 2 and gradually increasing thereafter
 - At the \$100-300.0 million annual commitment level, StepStone recommends making 2-4 commitments per annum (\$25-100.0 million per commitment)
 - Making annual tactical adjustments to pacing program assumptions and deployment pace
- Assumed average portfolio growth of 4.0% per annum and weighted average return on private equity and real assets portfolio of 11.8% target Net IRR
- Sub-asset Class Allocations:
 - Buyout 70.0%
 - Special Situations 10.0%
 - VC / Growth Equity 10.0%
 - Real Assets / Natural Resources 10.0%

CCCERA PE Program – 2018 Pacing

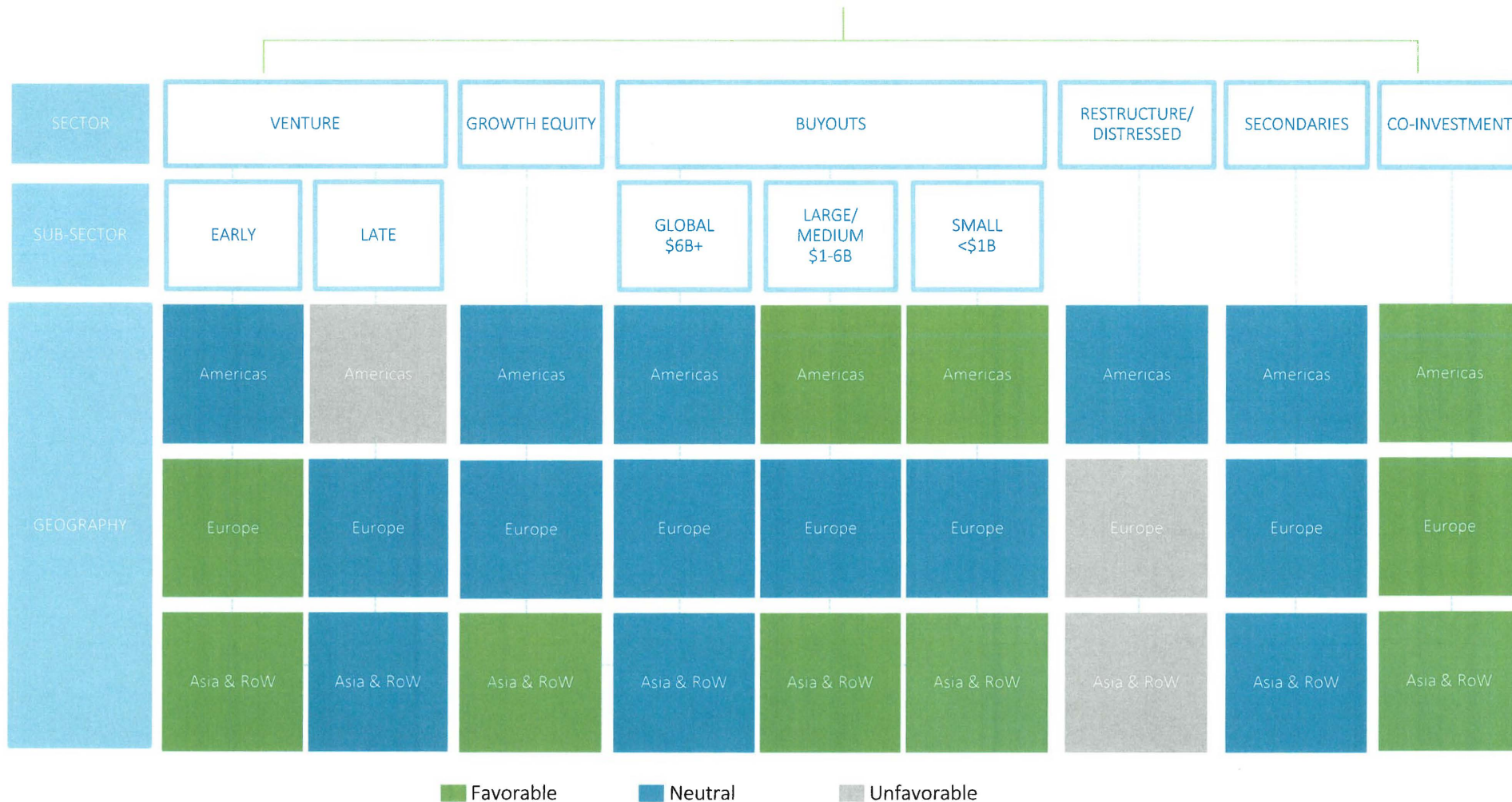


- Commit approximately \$25-50.0 million per fund across 2-4 primary fund relationships
 - Overview of 2018 vintage, as of November 15, 2018:
 - ✓ US Small Market Buyout, May 2018 => \$35.0 million commitment to AE Industrial Partners Fund II
 - ✓ US Middle Market Buyout, May 2018 => \$35.0 million commitment to Siris Capital Group IV

2019 Heat Map

- Tactical Plan based on current market opportunities

2019 TILTS



For illustrative purposes only. The opinions expressed herein reflect the current opinions of Stepstone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass.

2019 Priorities

- Commit approximately \$25-50.0 million per fund across 2-4 primary fund relationships
 - Preliminary thoughts on 2019 vintage:
 - ✓ US Small / Medium Buyout
 - ✓ US Large Buyout
 - ✓ North America Distressed & Restructuring

III. PRIVATE EQUITY PORTFOLIO PERFORMANCE

Performance Summary



- CCCERA private equity and real asset portfolio includes \$1.6 billion in commitments to 31 primary and fund-of-funds investments
- Over the LTM, the portfolio drew \$173.5 million and received \$169.8 million in distributions
- The portfolio generated a net gain of \$120.6 million year-over-year, leading to a 1-year IRR of 14.3%
- Since-inception IRR increased 46 bps year-over-year to 9.5% as of June 30, 2018

<i>US\$ in millions</i>	June 30, 2018	June 30, 2017	Yearly Change
Number of Managers	14	14	-
Number of Investments	31	31	-
Committed Capital	1,649.6	1,649.6	\$0.0
Contributed Capital ¹	1,327.0	1,153.5	173.5
Distributed Capital	925.6	755.8	169.8
Market Value	956.4	832.1	124.3
Total Value	1,881.9	1,587.8	294.1
Total Gain/(Loss)	554.9	434.4	120.6
Unfunded Commitment	425.3	582.7	(157.4)
DPI ²	0.7x	0.7x	0.0x
TVM ³	1.4x	1.4x	0.0x
IRR ⁴	9.5%	9.0%	+ 46 bps

1. Contributed Capital represents total contributions to underlying investments including capitalized legal and other transaction fees and expenses.

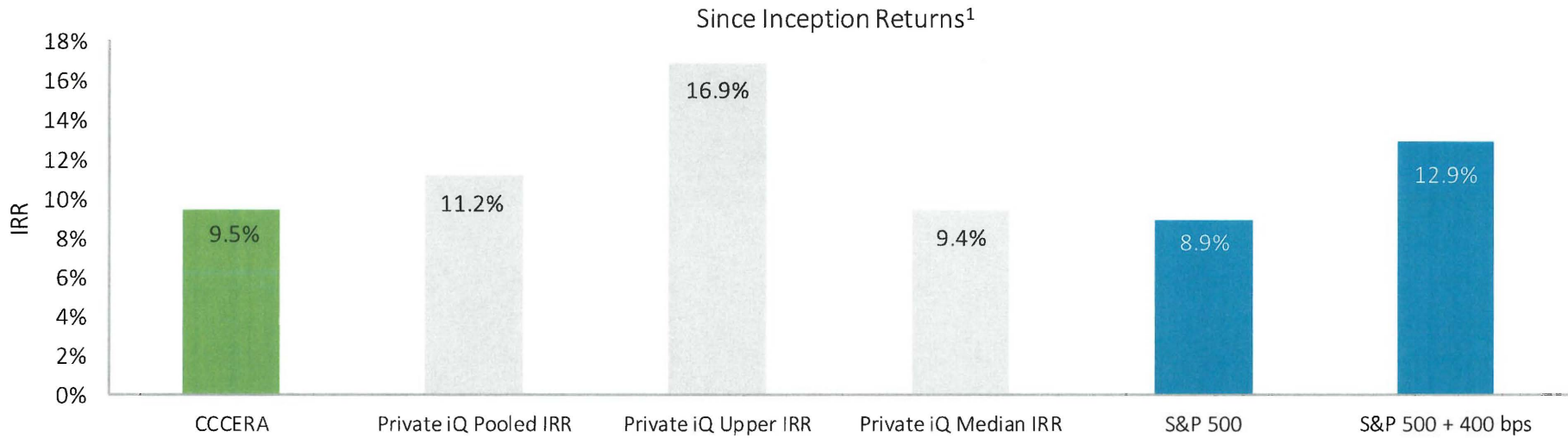
2. Distributions to Paid-in Capital (DPI) represents total distributions received from underlying investments (including distributions used to offset drawdowns for investments) divided by total contributions.

3. Total Value Multiple (TVM) is net of management fees and expenses related to the underlying investments, and represent the aggregate net asset value of underlying investments plus distributions received from those investments, divided by total contributions.

4. Internal Rate of Return (IRR) is calculated based on the Portfolio's daily cash flows and market value as of quarter-end. IRR is net of manager's fees, expenses and carried interest.

Performance versus Benchmarks

- Portfolio performance is measured against three benchmarks: (i) Burgiss Private iQ, (ii) the S&P 500 index, and (iii) the S&P 500 index + 400 basis points (“bps”) as a liquidity premium. Compared to Private iQ benchmark returns, the Portfolio’s overall since inception IRR of 9.5% is 168 basis points below the Private iQ Pooled IRR, and 5 basis points above the Private iQ Median Quartile IRR.
- Since inception, the Portfolio has outperformed the S&P 500 index benchmark by 55 basis points and underperformed the S&P 500 + 400 bps by 345 basis points. The following graph illustrates the Portfolio’s IRR performance versus benchmarks as of June 30, 2018.



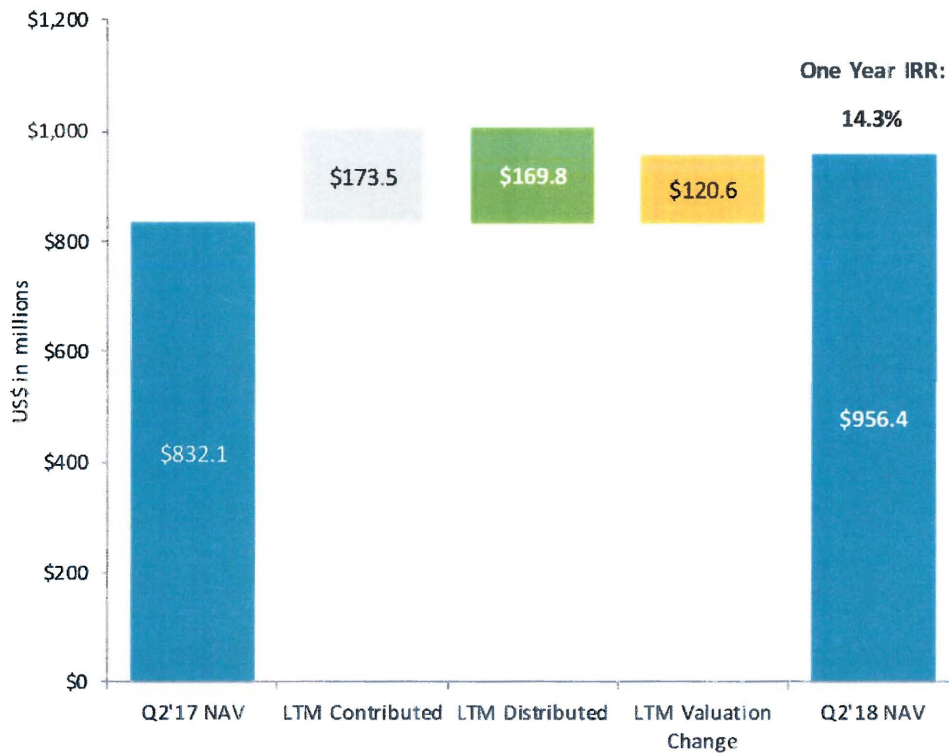
	Quarter IRR	1 Year IRR	3 Year IRR	5 Year IRR	10 Year	Since Inception IRR
<i>As of June 30, 2018</i>						
CCCERA Portfolio ²	4.3%	14.3%	10.6%	11.8%	9.3%	9.5%
Private iQ Pooled Benchmark ^{1,3}	2.8%	15.4%	11.6%	13.2%	9.6%	11.2%
S&P 500 Index + 400 bps ⁴	7.4%	18.4%	15.9%	17.4%	14.2%	12.9%

1. Primary fund benchmark data includes CCCERA specific vintage years and strategies. Please note that CCCERA’s Fund-of-Funds include a double layer of fees and compose a majority of commitments CCCERA has made to date.
 2. IRR Performance is net of underlying partnership fees.
 3. Published by Burgiss Private iQ, All Private Equity, Pooled, Upper, and Median IRRs, for Vintages 1996, 1999, 2001, 2003- 2005, 2007- 2009, & 2011-2017, as of June 30, 2018. This benchmark data is continuously updated and therefore subject to change.
 4. The referenced indices are shown for general market comparisons and are not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented. Returns under one year are unannualized.

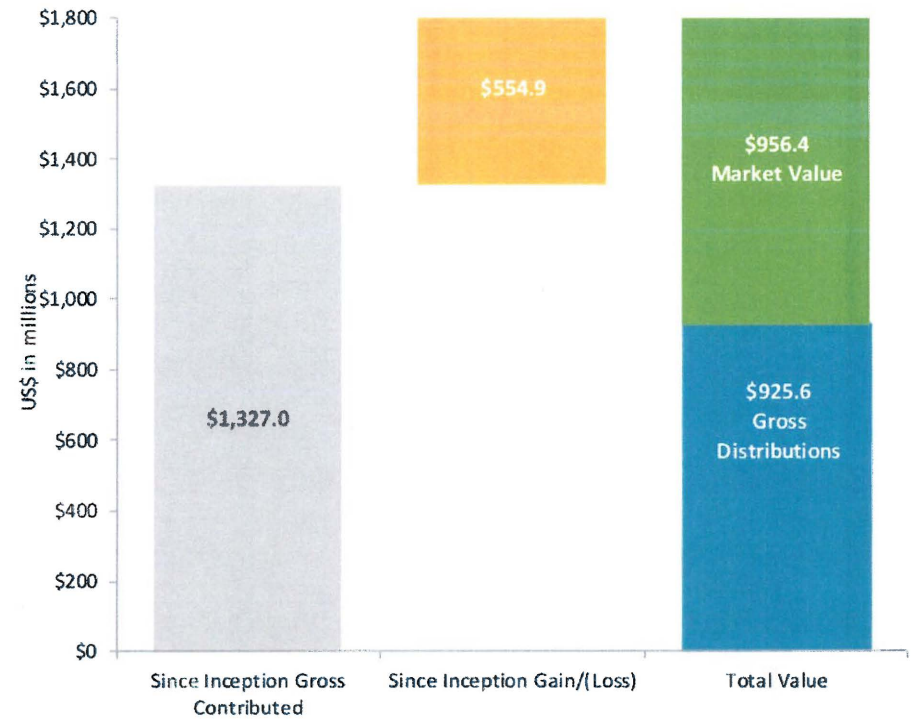
Valuation Bridge

- The Portfolio experienced a gain of \$120.6 million year-over-year, generating a 1-year IRR of 14.3%
- Since-inception net gain through June 30, 2018 is \$554.9 million

ANNUAL CHANGE IN MARKET VALUE

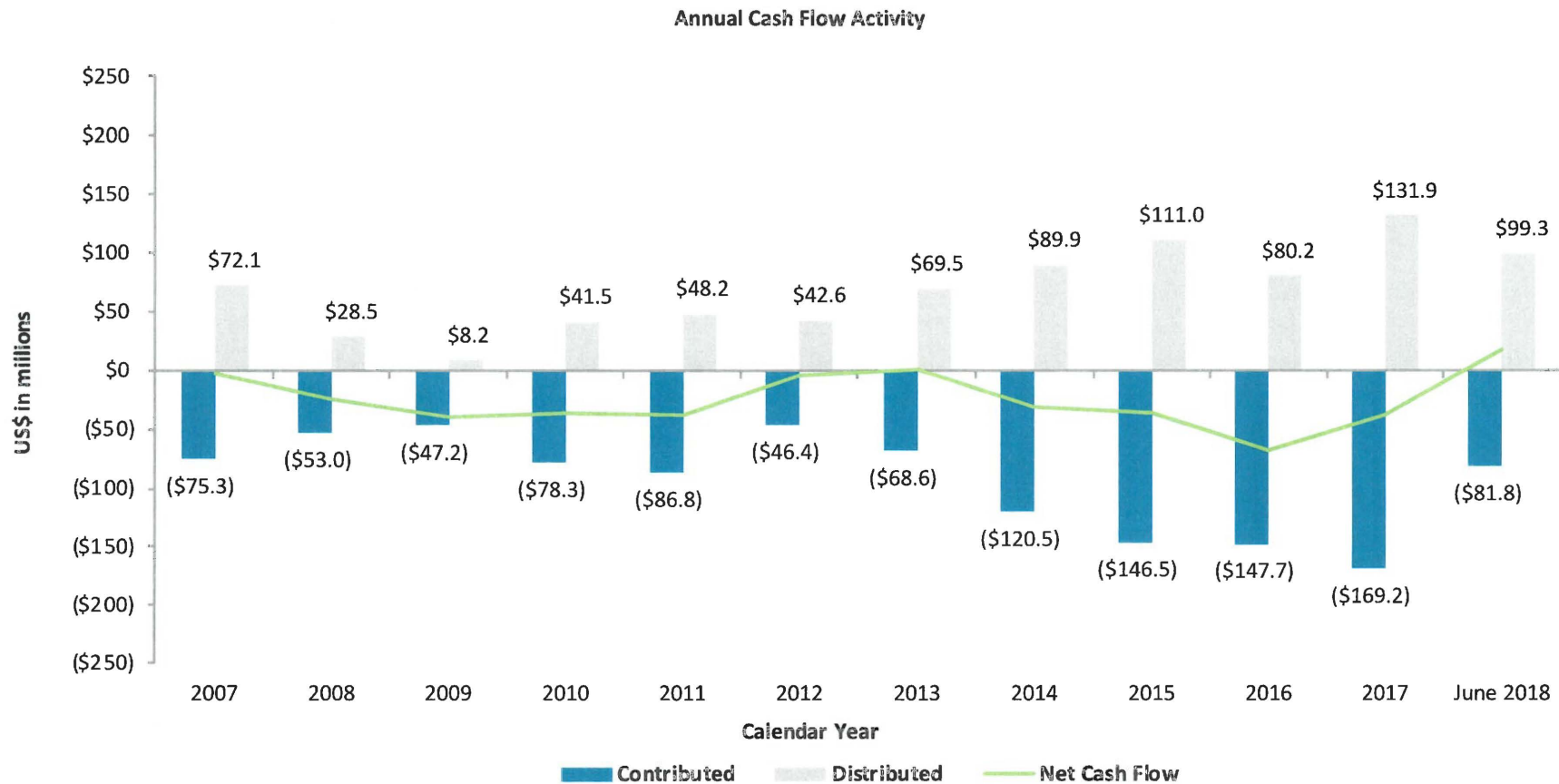


TOTAL FUNDED TO TOTAL VALUE



Cash Flow Analysis

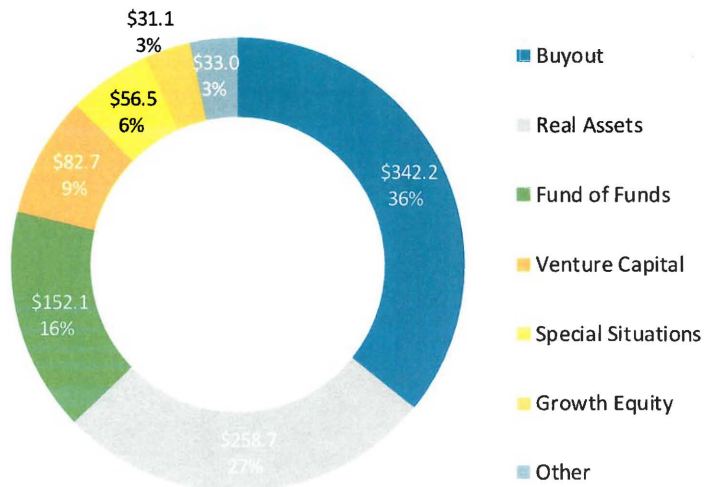
- Portfolio is net cash flow positive for the first half of 2018, as CCCERA has received \$99.3 million in distributions representing more than 10.0% of total NAV of \$956.4 million
- CCCERA distribution pace for the full year 2018 will be the highest annual total on record (eclipsing last year's total of \$131.9 million)



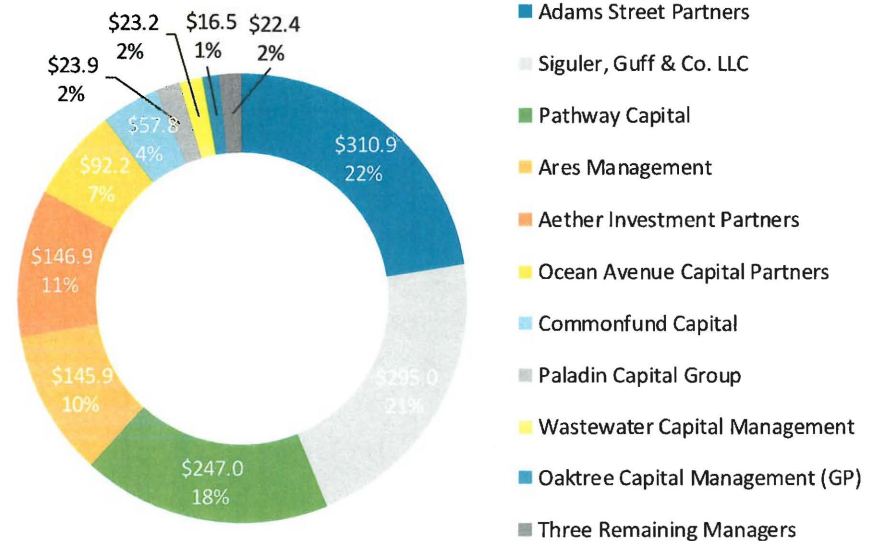
Diversification¹

FUND LEVEL¹

By Strategy

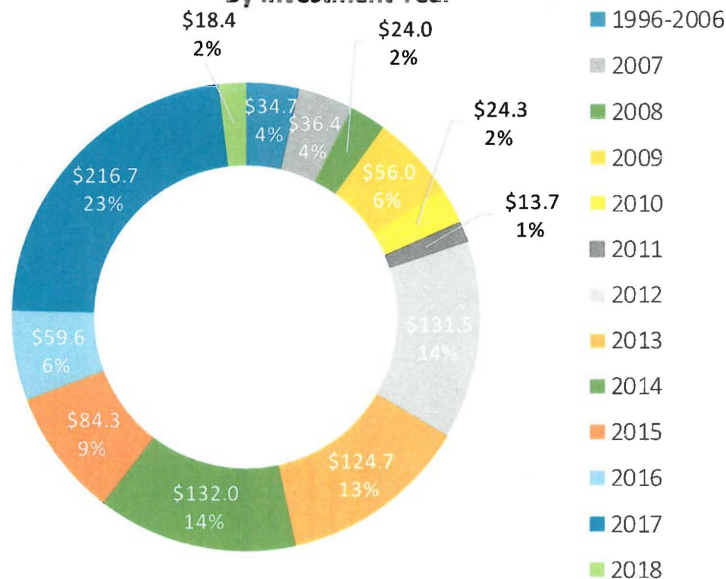


By Investment Manager

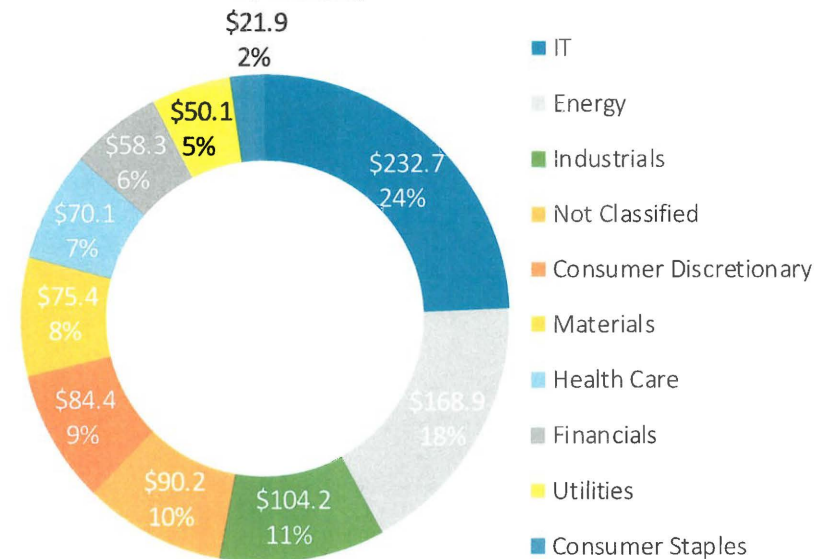


UNDERLYING/LOOK THROUGH LEVEL²

By Investment Year³



By Industry



1. Based on exposure (in millions) calculated as market value plus unfunded commitment. Strategy includes look through of Fund of Funds to underlying strategies (Fund of Funds includes Adams Street Partners - BPF and Adams Street Partners (CCCERA), as underlying strategies are not available). Other includes Co-investment, Private Debt and Real Estate strategies.

2. Represents CCCERA's exposed market value.

3. Investment year values for Siguler Guff funds are by vintage year for respective funds as GP doesn't provide look through investment dates.

Risks and Other Considerations



Risks Associated with Investments. Identifying attractive investment opportunities and the right underlying fund managers is difficult and involves a high degree of uncertainty. There is no assurance that the investments will be profitable and there is a substantial risk that losses and expenses will exceed income and gains.

Restrictions on Transfer and Withdrawal; Illiquidity of Interests; Interests Not Registered. The investment is highly illiquid and subject to transfer restrictions and should only be acquired by an investor able to commit its funds for a significant period of time and to bear the risk inherent in such investment, with no certainty of return. Interests in the investment have not been and will not be registered under the laws of any jurisdiction. Investment has not been recommended by any securities commission or regulatory authority. Furthermore, the aforementioned authorities have not confirmed the accuracy or determined the adequacy of this document.

Limited Diversification of Investments. The investment opportunity does not have fixed guidelines for diversification and may make a limited number of investments.

Reliance on Third Parties. StepStone will require, and rely upon, the services of a variety of third parties, including but not limited to attorneys, accountants, brokers, custodians, consultants and other agents and failure by any of these third parties to perform their duties could have a material adverse effect on the investment.

Reliance on Managers. The investment will be highly dependent on the capabilities of the managers.

Risk Associated with Portfolio Companies. The environment in which the investors directly or indirectly invest will sometimes involve a high degree of business and financial risk. StepStone generally will not seek control over the management of the portfolio companies in which investments are made, and the success of each investment generally will depend on the ability and success of the management of the portfolio company.

Taxation. An investment involves numerous tax risks. Please consult with your independent tax advisor.

Conflicts of Interest. Conflicts of interest may arise between StepStone and investors. Certain potential conflicts of interest are described below; however, they are by no means exhaustive. There can be no assurance that any particular conflict of interest will be resolved in favor of an investor.

Allocation of Investment Opportunities. StepStone currently makes investments, and in the future will make investments, for separate accounts having overlapping investment objectives. In making investments for separate accounts, these accounts may be in competition for investment opportunities.

Existing Relationships. StepStone and its principals have long-term relationships with many private equity managers. StepStone clients may seek to invest in the pooled investment vehicles and/or the portfolio companies managed by those managers.

Carried Interest. In those instances where StepStone and/or the underlying portfolio fund managers receive carried interest over and above their basic management fees, receipt of carried interest could create an incentive for StepStone and the portfolio fund managers to make investments that are riskier or more speculative than would otherwise be the case. StepStone does not receive any carried interest with respect to advice provided to, or investments made on behalf, of its advisory clients.

Other Activities. Employees of StepStone are not required to devote all of their time to the investment and may spend a substantial portion of their time on matters other than the investment.

Material, Non-Public Information. From time to time, StepStone may come into possession of material, non-public information that would limit their ability to buy and sell investments.

Global Offices



BEIJING

Kerry Centre, South Tower, 16th Floor
1 Guang Hua Road
Chaoyang District
Beijing, China 100020

LIMA

Av Jorge Basadre 607
San Isidro, Lima, Peru

ROME

Via Crescenzo, 14
00193 Rome, Italy

TOKYO

Level 1 Yusen Building
2-3-2 Marunouchi
Chiyoda-ku, Tokyo 100-0005, Japan

CLEVELAND

127 Public Square, Suite 5050
Cleveland, Ohio 44114

LONDON

2 St James's Market
London SW1Y 4AH

SAN FRANCISCO

Two Embarcadero Center, Suite 480
San Francisco, CA 94111

TORONTO

130 King Street West, Suite 1205
Exchange Tower
Toronto, ON Canada M5X 1A9

DUBLIN

Newmount House
22-24 Lower Mount Street
Dublin 2, Ireland

LUXEMBOURG

124 Boulevard de la Pétrusse
L-2330 Luxembourg

SÃO PAULO

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Itaim Bibi - São Paulo SP,
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ZURICH

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HONG KONG

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Central, Hong Kong

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SEOUL

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10 Gukjegeumyung-ro
Yeongdeungpo-gu,
Seoul 07326 Korea

LA JOLLA

4275 Executive Square, Suite 500
La Jolla, CA 92037

PERTH

Level 24, Allendale Square
77 St George's Terrace
Perth, WA 6000, Australia

SYDNEY

Level 43 Governor Phillip Tower
One Farrer Place
Sydney NSW 2000 Australia



MEMORANDUM

Date: December 12, 2018

To: CCCERA Board of Retirement

From: Timothy Price, Chief Investment Officer; Rishi Garbharran, Investment Officer

Subject: Alternative Investment Fees and Expense Report Pursuant to Government Code Section 7514.7

Overview

CCCERA is required to publicly disclose certain investment fee and expense data and information on an annual basis in a public meeting. (CCCERA's Accessibility of Investment Records Policy Section II.C. and Government Code Section 7514.7.) This requirement applies to any private fund that is an alternative investment vehicle whose contract with CCCERA was entered into on or after January 1, 2017, or for any existing contract as of December 31, 2016 for which an additional capital commitment is made on or after January 1, 2017. The law also requires CCCERA to use best efforts to obtain this information from funds entered into prior to January 2017.

Code Section 7514.7 Disclosure Requirements

1. The fees and expenses that the California plan pays directly to the alternative investment vehicle, the fund manager, or related parties.
(See Columns E, G, H on the following pages)
2. The California plan's pro rata share of fees and expenses not included in paragraph (1) that are paid from the alternative investment vehicle to the fund manager or related parties. The California plan may independently calculate this information based on information contractually required to be provided by the alternative investment vehicle to the public investment fund. If the California plan independently calculates this information, then the alternative investment vehicle shall not be required to provide the information identified in this paragraph.
(Column I)
3. The California plan's pro rata share of carried interest distributed to the fund manager or related parties.
(Column F)

4. The California plan's pro rata share of aggregate fees and expenses paid by all of the portfolio companies held within the alternative investment vehicle to the fund manager or related parties.
(Column J)

5. Any additional information described in subdivision (b) of Section 6254.26 of the Code.
(Columns K-V)

Methodology

Beginning in early 2017, we asked all Alternative Investment Managers to use the Institutional Limited Partners Association (ILPA) template to report fees and expenses to CCCERA on a quarterly basis. Though not required for funds where a contract was entered into prior to January 1, 2017, most managers voluntarily provided information using the ILPA template.

This report displays the available data for alternative investment vehicles in which CCCERA was invested as of December 31, 2017. CCCERA Investment Staff will issue a similar report in 2019 when complete data for 2018 is available.

Contra Costa County Employees' Retirement Association
Government Code Section 7514.7 Disclosure: Private Equity
Calendar Year 2017

A	B	C	D	E	F	G	H	I	J
Private Equity Fund	Address	Funding Commitment	Remaining Value as of 12/31/2017	Management Fees	Carried Interest Paid	Partnership Expenses	2017 Offsets	Other Expenses	Fees Paid by Portfolio Companies
Adams Street Partners (CCCERA)	Chicago, IL	210,000,000	141,026,577	1,579,543	841,666	68,824	2,795	3,688	N/A
Adams Street Partners - Brinson Partnership Fund	Chicago, IL	59,565,614	3,352,206	-	-	5,247	-	-	N/A
Adams Street Secondary II	Chicago, IL	30,000,000	11,258,400	240,000	460,043	9,576	-	-	N/A
Adams Street Secondary V	Chicago, IL	40,000,000	25,504,200	315,000	-	10,554	-	5,807	N/A
Adams Street Venture Innovation Fund	Chicago, IL	75,000,000	2,445,074	400,456	-	81,345	-	90,539	N/A
Bay Area Equity Fund	San Francisco, CA	10,000,000	2,900,756	-	-	11,414	-	-	N/A
Bay Area Equity Fund II	San Francisco, CA	10,000,000	10,795,460	128,391	-	17,242	-	-	N/A
Carpenter Community BancFund	Irvine, CA	30,000,000	5,950,479	236,380	2,175,555	82,690	-	-	N/A
EIF USPF I	Los Angeles, CA	30,000,000	56,407	-	-	2,910	-	241	N/A
EIF USPF II	Los Angeles, CA	50,000,000	30,829,243	326,515	-	30,187	-	121	N/A
EIF USPF III	Los Angeles, CA	65,000,000	38,485,813	617,071	-	44,752	-	1,767,163	N/A
EIF USPF IV	Los Angeles, CA	50,000,000	47,727,622	623,559	-	10,562	-	1,514,142	N/A
ARES EIF V	Los Angeles, CA	50,000,000	6,465,893	700,000	-	54,532	-	44,355	N/A
Oaktree Private Investment Fund 2009	Los Angeles, CA	40,000,000	12,978,212	-	-	3,919	-	-	N/A
Ocean Avenue Fund II	Santa Monica, CA	30,000,000	23,819,642	255,000	-	47,305	-	64,492	N/A
Ocean Avenue Fund III	Santa Monica, CA	50,000,000	13,795,427	375,000	-	82,480	-	45,002	N/A
Paladin III	Washington, DC	25,000,000	28,045,223	383,244	-	68,532	-	-	N/A
Pathway	Irvine, CA	125,000,000	27,505,357	451,951	-	174,627	-	-	N/A
Pathway 2008	Irvine, CA	30,000,000	24,559,437	242,560	-	14,716	-	26,765	N/A
Pathway 6	Irvine, CA	40,000,000	37,487,614	360,000	-	24,222	-	234,844	N/A
Pathway 7	Irvine, CA	70,000,000	57,911,136	630,000	-	36,391	-	581,211	N/A
Pathway 8	Irvine, CA	50,000,000	24,756,529	273,642	-	23,383	-	514,375	N/A
Siguler Guff CCCERA Opportunities	New York, NY	200,000,000	147,854,212	770,918	-	-	155,273	260,864	N/A
Siguler Guff Secondary Opportunities	New York, NY	50,000,000	23,477,641	500,000	-	241,559	-	265,994	N/A
Real Assets									
Aether III	Denver, CO	25,000,000	23,613,368	212,500	-	29,647	-	20,040	N/A
Aether III Surplus	Denver, CO	50,000,000	60,033,860	300,000	-	58,275	-	53,456	N/A
Aether IV	Denver, CO	50,000,000	20,852,430	425,000	-	90,297	-	75,555	N/A
Commonfund Capital Natural Resources IX	Wilton, CT	50,000,000	44,053,137	324,996	-	24,822	-	348,795	N/A
Wastewater Opportunity Fund	Portland, OR	25,000,000	4,655,688	500,000	-	62,440	-	-	N/A

N/A: This information was not available or not provided by the manager.

**Contra Costa County Employees' Retirement Association
Government Code Section 7514.7 Disclosure: Private Equity
Calendar Year 2017**

K	L	M	N	O	P	Q	R	S	T	U	V
Private Equity Fund	Address	Inception Date	Funding Commitment	Since Inception Contributions	Since Inception Distributions	Value as of 12/31/2017	Total Value as of 12/31/2017	Distributed/ Paid in	Total Value/ Paid in	Since Inception Gross IRR	Since Inception Net IRR
Adams Street Partners (CCCERA)	Chicago, IL	12/22/1995	210,000,000	170,543,125	110,161,546	141,026,577	251,188,123	0.65x	1.47x	12.7%	9.7%
Adams Street Partners - Brinson Partnership Fund	Chicago, IL	1/18/1996	59,565,614	64,307,595	100,920,624	3,352,206	104,272,830	1.57x	1.62x	15.1%	11.6%
Adams Street Secondary II	Chicago, IL	12/31/2008	30,000,000	28,365,000	35,718,244	11,258,400	46,976,644	1.26x	1.66x	17.4%	14.9%
Adams Street Secondary V	Chicago, IL	10/31/2012	40,000,000	30,611,900	9,706,785	25,504,200	35,210,985	0.32x	1.15x	9.2%	6.5%
Adams Street Venture Innovation Fund	Chicago, IL	3/9/2016	75,000,000	3,412,500	-	2,445,074	2,445,074	0.00x	0.72x	-18.1%	-38.9%
Bay Area Equity Fund	San Francisco, CA	6/14/2004	10,000,000	10,000,000	36,331,243	2,900,756	39,231,999	3.63x	3.92x	25.9%	23.5%
Bay Area Equity Fund II	San Francisco, CA	2/29/09	10,000,000	10,000,000	2,026,313	10,795,460	12,821,773	0.20x	1.28x	6.1%	4.9%
Carpenter Community BancFund	Irvine, CA	10/31/2009	30,000,000	29,314,657	44,051,656	5,950,479	50,002,135	1.50x	1.71x	9.6%	8.4%
EIF USPF I	Los Angeles, CA	11/8/2002	30,000,000	38,960,280	64,404,030	56,407	64,460,437	1.65x	1.65x	34.7%	28.3%
EIF USPF II	Los Angeles, CA	6/15/2005	50,000,000	65,029,556	48,553,276	30,829,243	79,382,519	0.75x	1.22x	6.1%	3.4%
EIF USPF III	Los Angeles, CA	2/28/2007	65,000,000	71,125,862	55,110,203	38,485,813	93,596,016	0.77x	1.32x	8.3%	4.9%
EIF USPF IV	Los Angeles, CA	6/28/2010	50,000,000	56,774,636	18,410,085	47,727,622	66,137,707	0.32x	1.16x	11.2%	6.0%
ARES EIF V	Los Angeles, CA	9/9/2015	50,000,000	7,155,043	486,896	6,465,893	6,952,789	0.07x	0.97x	NM ¹	NM
Oaktree Private Investment Fund 2009	Los Angeles, CA	2/28/2010	40,000,000	34,800,000	34,638,579	12,978,212	47,616,791	1.00x	1.37x	7.3%	7.1%
Ocean Avenue Fund II	Santa Monica, CA	5/7/2014	30,000,000	21,000,000	3,589,938	23,819,642	27,409,580	0.17x	1.31x	18.0%	11.0%
Ocean Avenue Fund III	Santa Monica, CA	12/9/2015	50,000,000	12,500,000	-	13,795,427	13,795,427	0.00x	1.10x	51.0%	9.8%
Paladin III	Washington, DC	8/15/2008	25,000,000	32,254,876	15,762,473	28,045,223	43,807,696	0.49x	1.36x	15.6%	7.3%
Pathway	Irvine, CA	11/9/1998	125,000,000	124,047,976	158,412,150	27,505,357	185,917,507	1.28x	1.50x	10.3%	8.5%
Pathway 2008	Irvine, CA	12/26/2008	30,000,000	27,728,574	17,992,173	24,559,437	42,551,610	0.65x	1.53x	15.0%	12.1%
Pathway 6	Irvine, CA	5/24/2011	40,000,000	33,669,282	9,717,734	37,487,614	47,205,348	0.29x	1.40x	15.8%	12.7%
Pathway 7	Irvine, CA	2/7/2013	70,000,000	53,349,383	6,087,348	57,911,136	63,998,484	0.11x	1.20x	13.6%	10.0%
Pathway 8	Irvine, CA	11/23/2015	50,000,000	21,492,021	1,039,303	24,756,529	25,795,832	0.05x	1.20x	NM	NM
Siguler Guff CCCERA Opportunities	New York, NY	6/3/2014	200,000,000	119,852,500	4,565,989	147,854,212	152,420,201	0.04x	1.27x	16.5%	12.0%
Siguler Guff Secondary Opportunities	New York, NY	12/31/2016	50,000,000	20,829,802	9,388,316	23,477,641	32,865,957	0.45x	1.58x	NM	NM
Real Assets											
Aether III	Denver, CO	11/30/2013	25,000,000	18,685,595	807,091	23,613,368	24,420,459	0.04x	1.31x	17.9%	14.6%
Aether III Surplus	Denver, CO	11/30/2013	50,000,000	43,493,369	563,481	60,033,860	60,597,341	0.01x	1.39x	18.3%	16.6%
Aether IV	Denver, CO	1/1/2016	50,000,000	18,673,836	161,727	20,852,430	21,014,157	0.01x	1.13x	NM	NM
Commonfund Capital Natural Resources IX	Wilton, CT	6/30/2013	50,000,000	38,046,851	2,779,172	44,053,137	46,832,309	0.07x	1.23x	9.4%	9.1%
Wastewater Opportunity Fund	Portland, OR	12/31/2015	25,000,000	6,189,978	14,872	4,655,688	4,670,560	0.00x	0.75x	-1.9%	-22.4%

NM: This data is not yet meaningful for partnerships where capital has been deployed for less than two years

**Contra Costa County Employees' Retirement Association
Government Code Section 7514.7 Disclosure: Private Credit
Calendar Year 2017**

A	B	C	D	E	F	G	H	I	J
Private Credit Fund	Address	Funding Commitment	Remaining Value as of 12/31/2017	Management Fees	Carried Interest Paid	Partnership Expenses	2017 Offsets	Other Expenses	Fees Paid by Portfolio Companies
Angelo Gordon Energy Credit Opportunities Fund	New York, NY	16,500,000	10,960,472	258,619	-	127,308	-	25,371	N/A
Torchlight Debt Opportunity Fund II	New York, NY	128,000,000	40,952,608	111,061	-	141,005	-	-	N/A
Torchlight Debt Opportunity Fund III	New York, NY	75,000,000	5,835,470	108,750	1,706,204	39,028	-	-	N/A
Torchlight Debt Opportunity Fund IV	New York, NY	60,000,000	47,098,025	535,299	-	224,170	-	168,986	N/A
Torchlight Debt Opportunity Fund V	New York, NY	75,000,000	49,428,363	900,000	-	174,849	-	465,796	N/A

N/A: This information was not available or not provided by the manager.

**Contra Costa County Employees' Retirement Association
Government Code Section 7514.7 Disclosure: Private Credit
Calendar Year 2017**

K	L	M	N	O	P	Q	R	S	T	U	V
Private Credit Fund	Address	Inception Date	Funding Commitment	Since Inception Contributions	Since Inception Distributions	Value as of 12/31/2017	Total Value as of 12/31/2017	Distributed/ Paid in	Total Value/ Paid in	Since Inception Gross IRR	Since Inception Net IRR
Angelo Gordon Energy Credit Opportunities Fund	New York, NY	8/14/2015	16,500,000	18,750,000	13,095,816	10,960,472	24,056,288	0.70x	1.28x	19.7%	15.0%
Torchlight Debt Opportunity Fund II	New York, NY	7/1/2006	128,000,000	218,038,424	166,220,858	40,952,608	207,173,466	0.76x	0.95x	0.1%	(1.2%)
Torchlight Debt Opportunity Fund III	New York, NY	12/12/2008	75,000,000	83,733,990	118,951,660	5,835,470	124,787,130	1.42x	1.49x	16.5%	13.8%
Torchlight Debt Opportunity Fund IV	New York, NY	8/1/2012	60,000,000	83,975,100	62,462,671	47,098,025	109,560,696	0.74x	1.30x	13.8%	11.1%
Torchlight Debt Opportunity Fund V	New York, NY	3/12/2015	75,000,000	45,000,000	1,809,936	49,428,363	51,238,299	0.04x	1.14x	22.7%	13.2%

**Contra Costa County Employees' Retirement Association
Government Code Section 7514.7 Disclosure: Real Estate
Calendar Year 2017**

A	B	C	D	E	F	G	H	I	J
Real Estate Fund	Address	Funding Commitment	Remaining Value as of 12/31/2017	Management Fees	Carried Interest Paid	Partnership Expenses	2017 Offsets	Other Expenses	Fees Paid by Portfolio Companies
Invesco U.S. Value-Add Fund IV	Dallas, TX	35,000,000	20,796,007	276,173	-	102,069	-	-	-
Invesco U.S. Value-Add Fund III	Dallas, TX	35,000,000	13,176,883	202,872	-	51,195	-	-	-
Invesco Real Estate Fund II	Dallas, TX	85,000,000	447,927	-	-	12,789	-	-	-
LaSalle Income & Growth Fund VI	Chicago, IL	75,000,000	39,670,659	425,531	-	115,837	-	-	-
LaSalle Income & Growth Fund VII	Chicago, IL	75,000,000	52,280,012	1,258,576	-	151,142	-	-	-
Long Wharf Real Estate Partners IV L.P.	Boston, MA	25,000,000	18,237,243	287,902	-	77,602	-	-	N/A
Long Wharf Real Estate Partners V L.P.	Boston, MA	50,000,000	24,795,426	750,000	-	314,304	-	-	N/A
Fidelity Real Estate Growth Fund III, L.P.	Boston, MA	75,000,000	-	40,738	-	7,514	-	-	N/A
DLJ RECP Fund III, L.P.	New York, NY	75,000,000	23,268,146	301,797	-	124,253	-	25,056	-
DLJ RECP Fund IV, L.P.	New York, NY	100,000,000	97,401,987	799,795	-	203,837	-	55,083	-
DLJ RECP Fund V, L.P.	New York, NY	75,000,000	34,730,853	358,306	-	1,039,980	-	299,968	-
AG Realty Fund IX (A), L.P.	New York, NY	\$65,000,000	45,652,926	970,550	-	1,323,351	-	-	-
AG Realty Fund VIII, L.P.	New York, NY	\$80,000,000	43,695,542	509,630	256,843	838,915	-	-	-
Paulson Real Estate Fund II LP	New York, NY	20,000,000	24,891,170	238,500	392,280	224,671	-	-	-
Siguler Guff DREOF II Co-Investment Fund (T), LP	New York, NY	25,000,000	20,348,070	217,798	-	70,300	-	-	N/A
Siguler Guff Distressed Real Estate Opportunities Fund II (T), LP	New York, NY	70,000,000	63,406,051	540,000	-	118,057	-	-	N/A
Siguler Guff Distressed Real Estate Opportunities Fund, LP	New York, NY	75,000,000	54,362,083	413,924	984,672	77,492	-	-	N/A
Oaktree Real Estate Opportunities Fund V, LP	Los Angeles, CA	50,000,000	9,351,718	168,305	2,729,774	167,794	29,344	-	-
Oaktree Real Estate Opportunities Fund VI, LP	Los Angeles, CA	80,000,000	58,581,234	903,377	756,802	238,359	3,200	-	-
Oaktree Real Estate Opportunities Fund VII, LP	Los Angeles, CA	65,000,000	8,862,050	967,809	-	741,708	2,655	175,544	-

N/A: This information was not available or not provided by the manager.

**Contra Costa County Employees' Retirement Association
Government Code Section 7514.7 Disclosure: Real Estate
Calendar Year 2017**

K	L	M	N	O	P	Q	R	S	T	U	V
Real Estate Fund	Address	Inception Date	Funding Commitment	Since Inception Contributions	Since Inception Distributions	Remaining Value as of 12/31/2017	Total Value as of 12/31/2017	Distributed/ Paid in	Total Value/ Paid in	Since Inception Gross IRR	Since Inception Net IRR
Invesco U.S. Value-Add Fund IV	Dallas, TX	6/30/2014	35,000,000	24,520,622	7,578,475	20,796,007	28,374,482	0.31	1.16	20.3%	14.1%
Invesco U.S. Value-Add Fund III	Dallas, TX	12/2/2011	35,000,000	32,386,424	32,987,219	13,176,883	46,164,102	1.02	1.43	21.0%	15.2%
Invesco Real Estate Fund II	Dallas, TX	5/17/2007	85,000,000	78,202,813	100,620,489	447,927	101,068,416	1.29	1.29	8.2%	6.8%
LaSalle Income & Growth Fund VI	Chicago, IL	1/20/2012	75,000,000	71,428,571	65,296,235	39,670,659	104,966,894	0.91	1.47	16.7%	13.8%
LaSalle Income & Growth Fund VII	Chicago, IL	10/30/2015	75,000,000	47,030,640	-	52,280,012	52,280,012	-	1.11	15.5%	12.5%
Long Wharf Real Estate Partners IV L.P.	Boston, MA	11/13/2012	25,000,000	25,000,000	16,038,666	18,237,243	34,275,909	0.64	1.37	18.1%	12.9%
Long Wharf Real Estate Partners V L.P.	Boston, MA	11/20/2015	50,000,000	25,459,842	1,028,219	24,795,426	25,823,645	0.04	1.01	8.9%	1.4%
Fidelity Real Estate Growth Fund III, L.P.	Boston, MA	7/30/2007	75,000,000	66,940,230	88,857,041	-	88,857,041	1.33	1.33	9.4%	7.3%
DLJ RECP Fund III, L.P.	New York, NY	6/6/2005	75,000,000	100,068,912	69,921,987	23,268,146	93,190,133	0.70	0.93	0.6%	-1.5%
DLJ RECP Fund IV, L.P.	New York, NY	12/26/2007	100,000,000	119,635,022	58,501,012	97,401,987	155,902,999	0.49	1.30	7.1%	5.3%
DLJ RECP Fund V, L.P.	New York, NY	7/18/2013	75,000,000	44,450,307	28,261,126	34,730,853	62,991,979	0.64	1.42	30.6%	16.4%
AG Realty Fund IX (A), L.P.	New York, NY	12/8/2014	\$65,000,000	39,487,500	975,000	45,652,926	46,627,926	0.02	1.18	21.46%	12.62%
AG Realty Fund VIII, L.P.	New York, NY	12/13/2010	\$80,000,000	75,401,855	74,695,524	43,695,542	118,391,066	0.99	1.57	21.69%	16.16%
Paulson Real Estate Fund II LP	New York, NY	12/31/2013	20,000,000	19,345,623	4,607,719	24,891,170	29,498,889	0.24	1.52	21.2%	14.9%
Siguler Guff DREOF II Co-Investment Fund (T), LP	New York, NY	10/30/2015	25,000,000	17,100,362	-	20,348,070	20,348,070	-	1.19	16.2%	12.9%
Siguler Guff Distressed Real Estate Opportunities Fund II (T), LP	New York, NY	8/30/2013	70,000,000	57,085,000	11,679,189	63,406,051	75,085,240	0.20	1.32	14.0%	11.6%
Siguler Guff Distressed Real Estate Opportunities Fund, LP	New York, NY	7/30/2010	75,000,000	69,375,000	64,285,703	54,362,083	118,647,786	0.93	1.71	17.9%	14.6%
Oaktree Real Estate Opportunities Fund V, LP	Los Angeles, CA	2/23/2011	50,000,000	50,000,000	70,401,725	9,351,718	79,753,443	1.41	1.60	17.40%	12.9%
Oaktree Real Estate Opportunities Fund VI, LP	Los Angeles, CA	9/20/2012	80,000,000	80,000,000	50,993,860	58,581,234	109,575,094	0.64	1.37	15.40%	10.3%
Oaktree Real Estate Opportunities Fund VII, LP	Los Angeles, CA	4/1/2015	65,000,000	9,750,000	4,615,000	8,862,050	13,477,050	0.47	1.38	172.20%	78.7%

Risk Diversifying Sub-Portfolio Review

Timothy Price, CFA

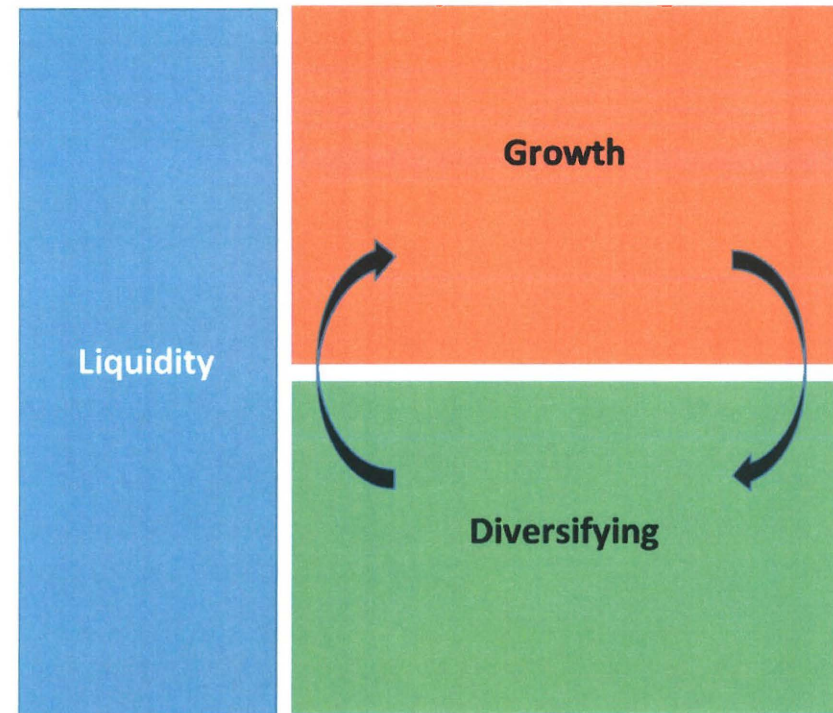
Chief Investment Officer

Risk Diversifying Program Review

- 1) Role in CCCERA framework
- 2) Composition of program
- 3) Strategic decisions

Role of Risk Diversifying in CCCERA Portfolio

- Defined as assets that exhibit:
 - Low correlation to equity markets
 - Positive real return
 - Highly liquid in periods of equity market stress
- Typically thought of as US Treasury debt or cash, but for CCCERA can include a variety of strategies that collectively achieve the desired outcomes
- Expected to be the hedge against market risk and the primary source of liquid assets to rebalance the portfolio in the event of a significant equity market pullback



Risk Diversifying

- Utilizes a multi-manager approach to produce a unique defensive asset class.
- Manager Roles
 - AFL-CIO: Proxy for US Treasury exposure through real estate debt
 - Parametric Defensive Equity: Collect insurance premiums through options writing strategy
 - Wellington Real Total Return: Multi-strategy inflation hedging program

Manager	Current Allocation
AFL-CIO	3.6%
Parametric	2.1%
Wellington	2.3%

Risk Diversifying

- The Risk Diversifying sub-portfolio provides an offset to the growth orientation of CCCERA's Total Fund
- Risk Diversifying assets should offer an offset to growth assets, allowing for opportunistic rebalancing during market events
- Risk Diversifying assets provide an additional source of capital for the Annual Funding Plan, allowing the Liquidity program to be replenished with a mix of employer pre-payments, liquidity program income, growth assets, and risk diversifying assets, pending market conditions

Objective	Measurement
Offset Volatility in Growth Portfolio	Correlation to growth
Positive Real Returns	Returns
High Liquidity	90-Day Liquidation %

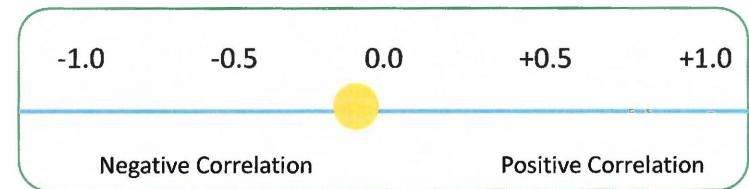
AFL-CIO

Summary

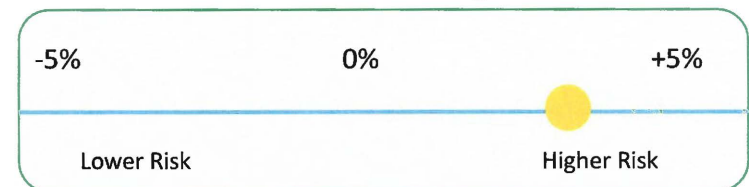
Risk-Diversifying Program Role	Treasury proxy with yield advantage
Key Personnel	Chang Suh, Guy Carter, Michael Cook
Fee Structure	0.43% of assets
CCCERA AUM as of Sept 30, 2018	\$315 mm
Most Recent On-Site	2017

Characteristics

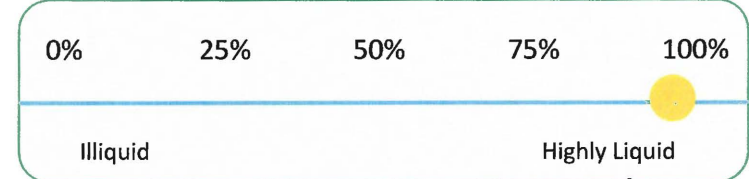
Correlation – Trailing 3 Years



Real Returns – Trailing 5 Years



Liquid within 90 days



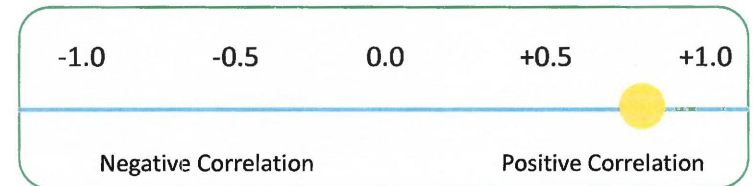
Parametric Defensive Equity

Summary

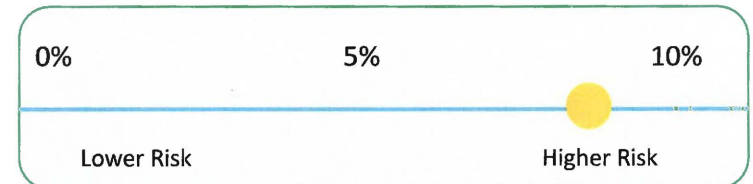
Risk-Diversifying Program Role	Options selling strategy to create diversified income stream
Key Personnel	Jay Strohmaier, Thomas Lee, Perry Li, Michael Zaslavsky
Fee Structure	0.42% of first \$200 mm, 0.39% thereafter
CCCERA AUM as of Sept 30, 2018	\$203 mm
Most Recent On-Site	2017

Characteristics

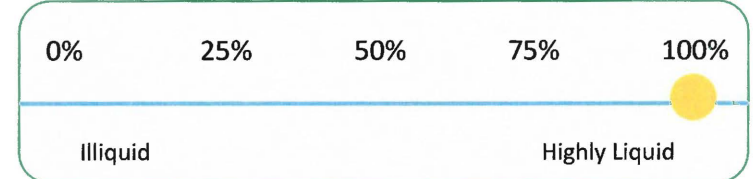
Correlation – Trailing 3 Years



Real Returns – Trailing 5 Years



Liquid within 90 days



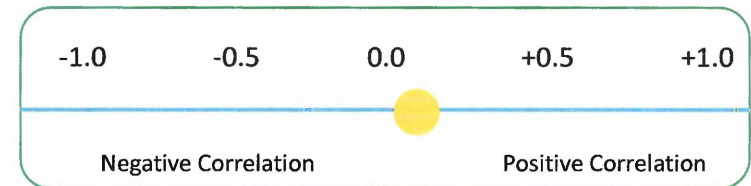
Wellington Total Return

Summary

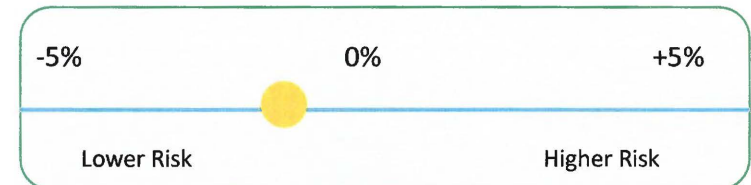
Risk-Diversifying Program Role	Inflation protected multi-asset strategy
Key Personnel	Stephen Gorman
Fee Structure	0.35% of assets
CCCERA AUM as of Sept 30, 2018	\$185 mm
Most Recent On-Site	2017

Characteristics

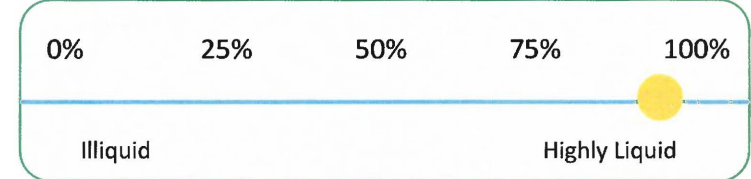
Correlation – Trailing 3 Years



Real Returns – Trailing 5 Years



Liquid within 90 days



Strategic Decisions

- The Board's input is needed for two critical aspects of the risk diversifying sub-portfolio
 1. Affirm the goals and parameters of the sub-portfolio as outlined in the Investment Policy Statement.
 2. Determine the size of the Risk Diversifying program. Reviewed annually when determining whether to adjust asset allocation targets.

Board Decisions

Affirmation of sub-portfolio desired outcomes

Sizing of risk diversifying vs. growth. Reviewed annually.

Conclusion

- Risk diversifying sub-portfolio intended to both offset risk in the growth sub-portfolio and be the primary source of liquid assets to rebalance the portfolio
 - Multi-manager structure provides diversification of process while keeping the program collectively focused on unique CCCERA goals
 - Staff continues to seek additional strategies to improve the return profile of this allocation
-



Meeting Date
12/12/18
Agenda Item
#18

MEMORANDUM

Date: December 12, 2018
To: CCCERA Board of Retirement
From: Karen Levy, General Counsel
Subject: Legislation Update

Summary of Enacted Legislation

The California State Legislature reconvened on January 3, 2018 for the second year of the 2017-18 legislative session. The last day for each house to pass bills was August 31, 2018, and the last day for the Governor to sign or veto bills passed by the Legislature was September 30, 2018. Below is a summary of approved legislation of interest to CCCERA and its Board of Retirement.

AB 2076 (Rodriguez) County employees' retirement: disability: date of retirement.

This is a Los Angeles County only bill that authorizes the county retirement system in Los Angeles County to correct a prior board decision determining the effective date of retirement for a member permanently incapacitated for disability that was made between January 1, 2013, and December 31, 2015, and was based upon an error of law existing at the time of the decision. The bill would authorize a member seeking correction under these provisions to file an application with the board no later than one year from the date these provisions become operative.

Status: Approved by the Governor on July 16, 2018.

SB 1270 (Vidak) County employees' retirement: system personnel.

The County Employees Retirement Law (CERL) authorizes the retirement boards of certain counties to appoint assistant administrators and chief investment officers who, following appointment, are outside county charter, civil service, and merit system rules, except as specified. (Govt. Code Section 31522.3.) The CERL provides that these administrators and officers are employees of the county, as specified, while serving at the pleasure of the appointing boards, and that they may be dismissed without cause. This bill will apply these provisions to any county if the board of supervisors for that county, by resolution adopted by majority vote, makes those provisions applicable in the county. This bill does not pertain to CCCERA because CCCERA is governed by Govt. Code Section 31522.9, pursuant to which CCCERA personnel are employees of the retirement system subject to terms and conditions of employment established by the Board of Retirement.

Status: Approved by the Governor on July 16, 2018.

Enacted Legislation Affecting CalPERS or CalSTRS Only:

AB 1912 (Rodriguez) Public employees' retirement: joint powers agreements: liability.

The Joint Exercise of Powers Act generally authorizes two or more public agencies, by agreement, to jointly exercise any common power. This legislation prohibits member agencies of Joint Powers Authority (JPA) from disclaiming the retirement liability of a JPA, and requires an apportionment of the retirement liability among JPA member agencies if they terminate CalPERS or the JPA dissolves or ceases to operate.

Status: Approved by the Governor on September 29, 2018.

SB 964 (Allen) Public Employees' Retirement Fund and Teachers' Retirement Fund: investments: climate-related financial risk.

This bill requires CalPERS and CalSTRS to, by January 1, 2035, analyze climate-related financial risk, as defined, to the extent the CalPERS and CalSTRS boards identify the risk as a material risk to the retirement system. The bill, by January 1, 2020, and every 3 years thereafter, would require each board to publicly report on the climate-related financial risk of its public market portfolio, including alignment of each system with a specified climate agreement and California climate policy goals and the exposure of the fund to long-term risks, as specified. The bill would provide that it does not require either board to take action unless the board determines in good faith that the action is consistent with its fiduciary responsibilities.

Status: Approved by the Governor on September 23, 2018.

SB 1413 (Nielsen) Public employees' retirement: pension prefunding.

This bill establishes the California Employers' Pension Prefunding Trust Fund to allow state and local public agency employers that participate in CalPERS and provide a defined benefit pension plan to their employees to prefund their required pension contributions. The bill would authorize an employer, upon terms and conditions set by the board, to elect to participate in the prefunding plan, and would require the governing body of that employer to enter into a contract with the board relative to the prefunding plan. The bill would require the board to offer participating employers, as defined, specified cost-effective, diversified investment portfolios. The bill would require each participating employer to pay an amount, determined by the board, for administrative and asset management costs of the prefunding plan to the fund and would grant the board the sole and exclusive control of the administration and investment of the fund. The bill would also set the terms under which a prefunding plan contract could be terminated or transferred. The bill would specify that all moneys in the fund would be continuously appropriated to the board for the purposes of these provisions.

Status: Approved by the Governor on September 21, 2018.

Recommendation

Receive and file.

Institutional
Investor
FORUMS

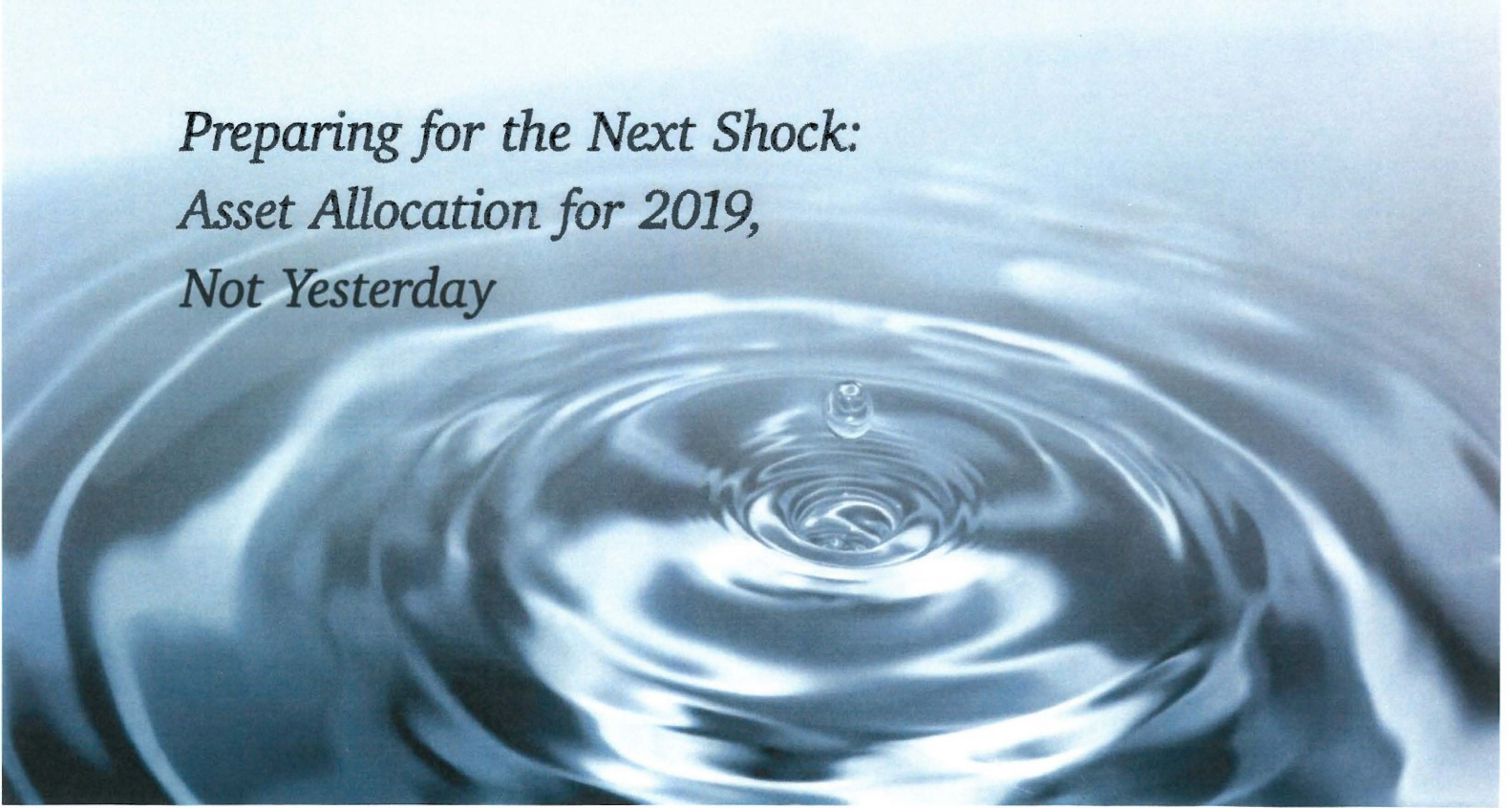
Meeting Date
12/12/18
Agenda Item
#19a.

8TH ANNUAL

Risk & Liquidity Forum

JANUARY 29-30, 2019 | THE RITZ-CARLTON | SAN FRANCISCO

*Preparing for the Next Shock:
Asset Allocation for 2019,
Not Yesterday*



Advisory Board

Patricia L. McKenna, *Vice President, Investments and Assistant Treasurer, AEGIS Insurance Services*

Michael Griswold, *Senior Director, Risk Management and Asset Allocation, Ascension Investment Management*

Carlos Chujoy, *Portfolio Manager, Risk Management & Applied Research, Employees Retirement System of Texas*

Howard Mark Hodel, *Acting CIO/Investment Officer – Risk Management, Hawaii Employees Retirement System*

Chris Rapcewicz, *Director of Risk & Operations, Helmsley Trust*

Robert Ewers, *Specialist, Treasury & Risk, Inter-American Development Bank*

Michael Ruetz, *Deputy Chief Investment Officer, Margaret A. Cargill Philanthropies*

Justin Pinckney, *Deputy Chief Investment Officer, Michelin North America Inc.*

Karl Cheng, *Senior Investment Officer, Portfolio Risk & Research, Oregon State Treasury*

Jean-Francois Bureau, *Senior Vice President and Chief Risk Officer, PSP Investments*

James Nield, *Chief Risk Officer, Teacher Retirement System of Texas (TRS)*

Mike Edleson, *Chief Risk Officer, University of Chicago*

Roxton McNeal, *Senior Portfolio Manager- Multi-Asset Investment Strategy and Risk, UPS Group Trust*

Craig O. Thomas, *Managing Director, Wake Forest University/Verger Capital Management*

Sponsoring Organizations: (to date)

Acadian Asset Management

CFM (Pending Confirmation)

Columbia Threadneedle Investments

Nomura JSV

Parametric

Schroder Investment Management (Pending Confirmation)

T. Rowe Price (Pending Confirmation)

Preparing for the Next Shock: Asset Allocation for 2019, Not Yesterday

“Yesterday is not ours to recover, but tomorrow is ours to win or lose.”

—Lyndon B. Johnson

At the macro level it is quite likely that 2019 is not going to look like 2018 and will be even further different from the decade which preceded us, with rates rising and equities no longer being the one stop shop which provided highly liquid, reasonably safe, above-average returns. However, within asset management – and therefore in the world which most immediately affects you, the plan sponsor – many of the seminal issues of recent years are likely to continue to vex, perplex, and appeal to investors. These include: the continuing trend toward passive strategies (but for how long, and also with the growing understanding that like with most things in the world, it's not completely a question of one or the other); the dramatic tilt by many institutions toward private markets (with the resulting consequences for portfolio risk and liquidity); growing interest by US institutions in a deeper, broader array of non-US investment opportunities; and more use of factor- and data-based solutions.

On January 29-30 in San Francisco we will present the latest, best thinking on the ways that North American pension funds, endowments, and foundations can respond to a volatile global investment landscape recognized for its rapidly changing dynamics. An opportunity and risk set which looks hardly at all like the world of even a few years ago, and one which is likely to cause the largest rethink in asset allocation and portfolio construction for at least a decade.

We hope you will be able to join us for this day and a half intensive seminar to learn about the decisions large institutions are making as they address the today's global investment landscape.

Tuesday, January 29

7:45 to 8:45 am

Registration and Continental Breakfast

Salon III

8:45 to 9:00 am

Welcome and App Tutorial

Salon III

Presented by:

Steven Olson, *Managing Director, Institutional Investor Memberships and Forums*

Forum Chairperson (Day One):

Christopher Rapcewicz, *Director of Risk & Operations, Helmsley Trust*

9:00 to 9:15 am

Benchmarking Survey

Salon III

Benchmarking Session Leader:

TBD

What are the issues, concerns and primary interests of your peers – investment decision-makers from the larger pension plans, endowments, and foundations? Attendees will be polled on a number of high-interest topics using an interactive electronic response system. By doing this, we will provide all attendees with useful benchmarks and unique insight into the concerns of investors. We will also strive to key up certain points of discussion for subsequent sessions.

Discussion Leader:

TBD

9:15 to 11:00 am

Presentation Series I

Are Markets Today More Vulnerable than They Appear?

Salon III

Session Chair:

TBD

9:20 to 9:35 am

Presentation

Presented by **Columbia Threadneedle Investments**

9:35 to 9:50 am

Presentation

**Three Things Investors Should Have Learned About Diversification Over the Past Decade
(Proposed)**

Presented by **Parametric**

9:50 to 10:05 am
Presentation

10:05 to 10:20 am
Presentation

10:20 to 10:40 am
Table Discussions

Seated in small groups, delegates will share their views on the previous presentations. Do they agree or disagree, and what are the reasons for their views? Are there other factors which should also be taken into consideration? Which factors have contributed to investors taking their respective positions and how are they changing their allocations and reconstructing their portfolios? As well as sharing knowledge and opinions, each table will be tasked with coming up with a set of questions or comments which they must be prepared to pose to the speakers in the subsequent session.

10:40 to 11:00 am
Panel and Audience Q&A

The original speakers will retake the stage, answer questions, and react to comments from the table discussions.

Session Chair:

TBD

11:00 to 11:15 am
Coffee Break

Salon III Gallery

11:15 to 1:00 pm
Presentation Series II
Trade Wars – The Reality Show: An Asset Class by Asset Class Assessment of the Potential Impact for Portfolios

Salon III

Session Chair:

TBD

11:20 am to 11:35 am
Presentation
Investing in Equities in 2019: In or Out?

11:35 to 11:50 am
Presentation

11:50 to 12:05 pm
Presentation

12:05 to 12:20 pm
Presentation

12:20 to 12:40 pm
Table Discussions

Seated in small groups, delegates will share their views on the previous presentations. Do they agree or disagree, and what are the reasons for their views? Are there other factors which should also be taken into consideration? Which factors have contributed to investors taking their respective positions and how are they changing their allocations and reconstructing their portfolios? As well as sharing knowledge and opinions, each table will be tasked with coming up with a set of questions or comments which they must be prepared to pose to the speakers in the subsequent session.

12:40 to 1:00 pm

Panel and Audience Q&A

The original speakers will retake the stage, answer questions, and react to comments from the table discussions.

Session Chair:

TBD

1:00 to 2:30 pm

Lunch

Terrace Room

2:30 to 3:45 pm

Presentation Series III

What Strategies Are Going to Make Your Portfolio a Better One in 2019?

Salon III

Session Chair:

James Nield, *Chief Risk Officer, Teacher Retirement System of Texas (TRS)*

2:35 pm to 2:50 pm

Presentation

Revisiting Value Investing: Observations from 20/20 Hindsight and Key Lessons to be Gleaned for Future Opportunities (Pending Confirmation)

Presented by Nomura JSV (Pending Confirmation)

- ❖ Even with perfect predictive powers, maximizing equity returns would have entailed an approach which does not conform to traditional value investing
- ❖ What does this mean for those investors who are seeking alpha in an ever-changing world?

2:50 pm to 3:05 pm

Presentation

Implementing Overlays

3:05 to 3:25 pm

Table Discussions

Seated in small groups, delegates will share their views on the previous presentations. Do they agree or disagree, and what are the reasons for their views? Are there other factors which should also be taken into consideration? Which factors have contributed to investors taking their respective positions and how are they changing their allocations and reconstructing their portfolios? As well as sharing knowledge and opinions, each table will be tasked with coming up with a set of questions or comments which they must be prepared to pose to the speakers in the subsequent session.

3:25 to 3:45 pm

Panel and Audience Q&A

The original speakers will retake the stage, answer questions, and react to comments from the table discussions.

Session Chair:

James Nield, *Chief Risk Officer, Teacher Retirement System of Texas (TRS)*

3:45 to 4:15 pm

Coffee Break

Salon III Gallery

4:15 to 5:00 pm

Workshop Series

All Forum attendees will have a choice of which of the two workshops they wish to attend. Each workshop is 45 minutes and is formatted to be an interactive dialogue with all participants having the opportunity to offer comments and share experiences.

Workshop A

Pavilion

Workshop B

Promenade

5:00 to 5:45 pm

Investors and Consultants Panel Discussion

Co-Investments in a Downturn: Modelling How These Investments Will Perform

Salon III

- ❖ What takes the place of VaR and standard deviation risk measures for private and illiquid assets?
- ❖ What adjustments do you make in stress testing?
- ❖ Workout risk
- ❖ Potential of the secondaries market

Moderator:

Michael Griswold, *Senior Director, Risk Management and Asset Allocation, Ascension Investment Management*

Panelists:

Patricia L. McKenna, *Vice President, Investments and Assistant Treasurer, AEGIS Insurance Services*

Miles Draycott, *Chief Risk Officer, New York City Retirement Systems (Pending Confirmation)*

Ali Kazemi, *Managing Director, Wilshire Associates*

Additional panelist to be confirmed

5:45 to 6:45 pm

Cocktail Reception

Terrace Courtyard

6:45 pm

Evening Free for Private Functions

Wednesday, January 30

8:00 to 8:45 am

Breakfast and Discussion Tables

The Portfolio in 2019

Salon II

At peer-moderated tables of 8-10 participants, delegates will share their opinions and compare notes on a number of important issues identified by Advisory Board members as worthy of discussion. Delegates will be asked to contribute to the overall discussion with the intention of sharing information and learning from others' experiences.

Table 1

Discussion Leader:

Samir Ben Tekaya, *Vice President, Investment Risk, British Columbia Investment Management Corporation (bcIMC)*

Table 2

LDI for 2019

Discussion Leader:

Marc Gauthier, *Treasurer and Investment Officer, Concordia University*

- ❖ The context of the LDI - cash flow vs measurement and its behavior
- ❖ The design of the LDI - the allocation and its targets

Table 3

Risk Allocation vs. Asset Allocation

Discussion Leader: Max Giolitti, *Chief Risk Officer, Verus*

- ❖ Managing complexity: Know what you own. Can the factor approach help?
- ❖ Understanding and managing leverage: How to be transparent about leverage?
- ❖ Seeking alpha from managers: Return is beta plus alpha. How to manage each separately?
- ❖ Managing volatility and liquidity: Avoiding surprises!

Table 4

Is It Time for Customizable Factor-Based and Alt Risk Premia?

Discussion Leader: John Lewis, *Director, Investment Operations and Risk Management, Ann E. Casey Foundation*

- ❖ What aspects (eg, volatility target, factors, rebalancing, correlation constraints to market betas, etc.) can you customize?
- ❖ What are some examples of realistic risk budgets for each factor in a portfolio?

Table 5: How Do Risk Officers Engage with Investment Staff?

Discussion Leader:

Jon-Michael Consalvo, *Associate Director, Risk Management, Portfolio Analysis and Investments, Carnegie Corporation of NY*

- ❖ How do you drill portfolio-wide risk consciousness and thinking into what the investment staff is doing when they're making decisions on the allocations of the portfolio?
 - ❖ Given that different people have different thinking about risk, does this lead to imbalances over time? What can help mitigate this?
 - ❖ What message would investment staff most like to communicate to risk officers?
-

Table 6: TBD

Discussion Leader: Lan Chen, Investment Specialist, Michigan Dept. of Treasury (accepted)

8:45 to 9:00 am

Investor Case Study

The Role of Portable Alpha in a 2019 Portfolio (Proposed)

Salon III

Presented by:

Thomas F. Richards, *Treasurer/Chief Investment Officer, University of Missouri System* (Invited)

9:00 to 10:10 am

Presentation Series IV

What Different Scenarios Are Telling Us About Risks and Liquidity this Year

Salon III

Session Chair:

Joseph Sheva, *Risk Manager, Pennsylvania Public School Employees' Retirement System*

9:05 to 9:20 am

Presentation

9:20 to 9:35 am

Presentation

9:35 to 9:50 am

Table Discussions

Seated in small groups, delegates will share their views on the previous presentations. Do they agree or disagree, and what are the reasons for their views? Are there other factors which should also be taken into consideration? Which factors have contributed to investors taking their respective positions and how are they changing their allocations and reconstructing their portfolios? As well as sharing knowledge and opinions, each table will be tasked with coming up with a set of questions or comments which they must be prepared to pose to the speakers in the subsequent session.

9:50 to 10:10 am

Panel and Audience Q&A

The original speakers will retake the stage, answer questions, and react to comments from the table discussions.

Session Chair:

Joseph Sheva, *Risk Manager, Pennsylvania Public School Employees' Retirement System*

10:10 to 10:30 am

Coffee Break

Salon III Gallery

10:30 to 11:30 am

Investor Perspective

What Are the Portfolio Pitfalls in Chasing Returns? The Unanticipated Risks Which Exceed Your Risk Appetite

Salon III

Moderator:

E. Shepard Farrar, Head of Investments, Inter-American Development Bank (Accept Pending)

Panelists:

Mike Edleson, *Chief Risk Officer, University of Chicago*

Jean-Francois Bureau, *Senior Vice President and Chief Risk Officer, PSP Investments*

Mark Baumgartner, *Chief Investment Officer, Institute for Advanced Study*

Additional panelists to be confirmed

It is a fair assumption that many institutional portfolios will be reshaped – or at a minimum reassessed – in 2019. On the fixed income side, a lot of investors are increasingly dependent upon ABIG (anything but investment grade) to get them closer to their returns target; consequently, they have been piling into high yield, middle market and direct lending, and other types of private credit. What happens when that tide turns? On the equities side, more institutions are considering redeploying capital to other assets to stay ahead of what many anticipate will be a less-favorable environment next year. Where is that redeployed money going to go? Into already crowded parts of the markets? Or will “smarter” equity strategies like factor-based ones and concentrated portfolios continue to gain assets? Any way you look at it, 2019 is likely to be an interesting year for some investors who might have to face the fact that the same ol’ same ol’ and carry-on mentality is going to lead them down a rabbit hole.

11:30 to 12:15 pm

Investors and Consultants Panel Discussion Gaining from Volatility

Salon III

- ❖ If the pathway of volatility is indeed higher, what are investors doing to position for this regime change?
- ❖ Option selling and option buying opportunities

Moderator:

Howard Mark Hodel, *Acting CIO/Investment Officer – Risk Management, Hawaii Employees Retirement System (Pending Confirmation)*

Panelists:

Jeff Young, *Chief Executive Officer and Co-Founder, DeepMacro*

Robert Ewers, *Specialist, Treasury & Risk, Inter-American Development Bank*

Karl Cheng, *Senior Investment Officer, Portfolio Risk & Research, Oregon State Treasury*

Roxton McNeal, *Senior Portfolio Manager – Multi-Asset Investment Strategy and Risk, UPS Group Trust*

12:15 to 1:00 pm

Guest Presentation

Salon III

1:00 to 2:00 pm

Lunch

Terrace

2:00 pm

Forum Concludes

This Year's Event Information

START: February 7, 2019 @ 10:00 am

END: February 7, 2019 @ 8:00 pm

Meeting Date
12/12/18
Agenda Item
#19b.

2019 Groundhog Day Investment Forum

Registration NOW open!

REGISTER NOW!

The 26th Annual Emerald Groundhog Day Investment Forum will be held on Thursday, February 7, 2019 at the DoubleTree by Hilton Hotel in Philadelphia, Pennsylvania. During the past twenty-five years the Forum has become one of the premiere investment events in the Mid-Atlantic region by providing an introduction from our team of portfolio managers and analysts to the important investment themes and trends of the new year, while showcasing many of the fastest growing, but often under-recognized, small and mid-cap companies that exemplify these themes. The Forum consistently attracts hundreds of institutional investors, business leaders, elected officials, investment research analysts, and investment professionals.

Registration is now open!

Please click [HERE](#) to join our mailing list.

iCal Import + Google Calendar
2017 Groundhog Day Investment Forum



SIT INVESTMENT ASSOCIATES, INC.
37TH ANNUAL CLIENT WORKSHOP – REGISTRATION FORM
FEBRUARY 14 – 17, 2019
FOUR SEASONS RESORT, SCOTTSDALE, AZ

CLIENT

Complete and return this form in its entirety **no later than Thursday, December 13, 2018** to Debbie Beaudet: Email dkb@sitinvest.com. If you have any questions, please call Debbie at 612-359-2528. Please complete and return this form whether or not you are able to attend.

Your Name: _____ Name of spouse/guest if attending: _____

I will be attending: I will NOT be attending:

Organization: _____ Title: _____

Address: _____

City, State, Zip: _____ Email Address: _____

Business Phone: _____ Cell Phone: _____

Arrival Date: _____ Departure Date: _____

Arrival Airport / Airline/Flight # / Arrival Time: _____ Departure Airport /Airline/Flight# / Flight Time: _____

Recommended airport is Phoenix Sky Harbor (PHX)

Ground transportation to/from airport: **(please check one)**

Meeting Date
12/12/18
Agenda Item
#19c.

I will be driving or renting a car. I need ground transportation to/from the airport.
 Estimated Arrival Time at Resort: _____ Ground transportation shuttle service will be provided.

HOTEL: Sit Investment will make a room reservation in your name at The Four Seasons
Standard Room Rate: \$395.00 (+ applicable taxes)

Do you need a hotel room? Yes No (Please circle)

Room Preference: ___ 2 Double Beds ___ King ___ Extra Person
 (We will do our best to accommodate your request)

If you have any special needs (dietary or accommodations), please provide detail: _____

RECREATIONAL ACTIVITIES

Please provide details below:

	<u>Friday (scramble)</u>		<u>Saturday</u>	
	<u>Yourself</u>	<u>Spouse/Guest</u>	<u>Yourself</u>	<u>Spouse/Guest</u>
<u>Golf</u> (Yes/No) please circle	_____	_____	_____	_____
Need Rental Clubs? (Yes/No)	_____	_____	_____	_____
Right- or Left-Handed Rentals (R/L)	_____	_____	_____	_____
PGA Handicap (please provide)	_____	_____	_____	_____
Average score, if no handicap	_____	_____	_____	_____
<u>Croquet</u> (Yes/No) Saturday only			_____	_____



SIT INVESTMENT ASSOCIATES, INC.

37TH ANNUAL CLIENT WORKSHOP
THE FOUR SEASONS RESORT SCOTTSDALE, SCOTTSDALE, ARIZONA
FEBRUARY 14-17, 2019

SPEAKER BIOS

Mr. Deepak Anand - “An Update on the North American Cannabis Industry.” Vice President of Government Relations for Cannabis Compliance, Inc., a privately held company based in Toronto that provides compliance consulting and solutions within the legal supply chain of cannabis in Canada. He is a recognized thought leader in the global cannabis space with fifteen years of leadership experience in the health, charitable/non-profit and private sectors in Canada. Mr. Anand previously served as the Executive Director for the Canadian National Medical Marijuana Association (CNMMA) and Adjunct Professor at Kwantlen Polytechnic University.

Dr. Jeffrey S. Chamberlain – “Gene Therapy.” McCaw Chair in Muscular Dystrophy, Director of the Senator Paul D. Wellstone Muscular Dystrophy Research Center and Professor of Neurology, Medicine and Biochemistry at the University of Washington in Seattle.

Mr. Charles E. Cook, Jr. – “A View of the National Political Scene and What to Look for in 2020.” Editor and Publisher of the Cook Political Report and a political analyst for NBC News and *National Journal*, where he writes a twice weekly column. Charlie is considered one of the nation’s leading authorities on American politics and U.S. elections. In 2010, he was a co-recipient of the American Political Science Association’s prestigious Carey McWilliams award to honor “a major journalistic contribution to our understanding of politics.” He founded the Cook Political Report in 1984 and in 1986 became a columnist for *Roll Call*, the newspaper of Capitol Hill, where his column continued until 1998 when he moved it to the *National Journal*. Charlie has been an election night analyst in every election since the 1980's, for CNN and CBS, and since 1994 for NBC News. He has appeared on all three major broadcast networks’ evening news programs as well as ABC’s “This Week” and NBC’s “Meet the Press.”

Mr. Bruce Friedrich – “Seeds of Disruption: How Food Technology Will Save the Planet.” Executive Director of The Good Food Institute, a 501(c)(3) nonprofit organization that promotes innovative alternatives to industrially produced animal products. Friedrich has penned opinion pieces for *USA Today*, *Wall Street Journal*, *Los Angeles Times*, and many other publications. He is a popular speaker on college campuses and has presented repeatedly at most of the nation's top universities including Harvard, Yale, Princeton, Stanford and MIT. He graduated magna cum laude from Georgetown Law and was a member of Phi Beta Kappa at Grinnell College. He also holds degrees from Johns Hopkins University and the London School of Economics.

Dr. William G. Gale – “Fiscal Therapy.” Arjay and Frances Miller Chair in Federal Economic Policy in the Economic Studies Program at the Brookings Institution. His research focuses on tax policy, fiscal policy, pensions, and saving behavior. He is Co-Director of the Tax Policy Center, a joint venture of the Brookings Institution and the Urban Institute. He is also Director of the Retirement Security Project. From 2006 to 2009, he served as Vice President of Brookings and Director of the Economic Studies Program. Dr. Gale is the author of *Fiscal Therapy: Curing America’s Debt Addiction and Investing in the Future* (2019).

Dr. Peter A. Hall – “The Resurgence of Nationalism in Europe.” Krupp Foundation Professor of European Studies at Harvard University, where he has also been Associate Dean of Arts & Sciences and Director of the Minda de Gunzburg Center for European Studies. He is the author or editor of ten books and more than a hundred articles on European politics and political economy, including *Varieties of Capitalism* (2001) and *The Political Power of Economic Ideas* (1989). Hall has won many awards for his work and is a Fellow of the British Academy. In early 2018, he was awarded a Guggenheim Fellowship and is currently on leave working at the Russell Sage Foundation in New York.

Mr. Casimir A. Yost – “U.S. National Security: Threats, Opportunities and Choices.” Mr. Yost returned to Georgetown and the Institute for the Study of Diplomacy in 2013 as an adjunct professor/senior fellow. He writes and lectures on the Middle East, East Asia and U.S. foreign and intelligence policies. Mr. Yost served on the National Intelligence Council from 2009 to 2012 as Director of the Strategic Futures Group. He has worked for the Asia Foundation in San Francisco and was President of the World Affairs Council of Northern California. From 1977 to 1986, he held staff positions in the U.S. Senate including with the Senate Committee on Foreign Relations. Yost is a graduate of Hamilton College and has a MS in Foreign Service from Georgetown University. He is also a member of the Council on Foreign Relations.

Dr. Stephen Zoepf – “Autonomous Vehicles and Automotive Technology.” Executive Director of the Center for Automotive Research at Stanford. His interests are in future mobility, shared vehicle systems, transportation energy usage and policy. He has eight years of experience in the automotive industry as an engineer and product manager at BMW and Ford, and previously led U.S. Department of Transportation efforts to integrate confidential data submissions efforts into national vehicle energy policy modeling efforts. He was an ENI Energy Initiative Fellow and a Martin Energy Fellow at MIT and a recipient of the Barry McNutt award from the Energy and Alternative Fuels Committees of the Transportation Research Board.

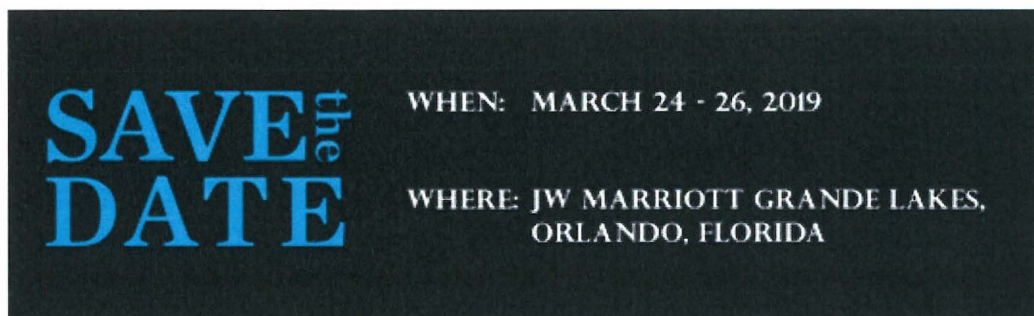
Meeting Date
12/12/18
Agenda Item
#19d.



"One small step for man, one giant leap for mankind"
—Neil Armstrong, July 20, 1969

Fifty years ago, with those words, Neil Armstrong marked one of the most momentous accomplishments in human history, man landing on the moon. 1969 also proved to be a momentous year for institutional investors. The Ford Foundation published two seminal studies, "The Law and Lore of Endowment Funds" and "Managing Educational Endowments". These studies led to the formation of Commonfund and paved the way for institutions to adopt the more sophisticated investment practices of today.

At [Commonfund Forum 2019](#) we will chronicle the evolution of nonprofit investing over the past 50 years and will look ahead to show how small steps can lead to giant leaps when stewarding perpetual capital.



Please plan to join us this year for Commonfund Forum 2019, the premier investment conference for endowments and foundations, healthcare organizations, pension funds and other long-term institutional investors.

Additional program details will be available soon and web registration opens in October, so watch your email for your invitation. [add this event to your calendar](#)

Meeting Date
12/12/18
Agenda Item
#19e.

THE PENSION BRIDGE ANNUAL

April 9th & 10th, 2019 | Westin St. Francis Hotel, San Francisco



THE PENSION BRIDGE ANNUAL

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The Pension Bridge Annual Conference provides the highest level of education and networking to the institutional investment community. A mix of Public Funds, Corporate Funds, Foundations, Endowments, Union Funds, Taft-Hartley Funds, Family Offices, Sovereign Wealth Funds, Consultants and Investment Managers will come together for this exclusive event.

The Pension Bridge Annual provides the industry's only controlled attendance structured event. This helps The Pension Bridge to maintain the best conference ratio in the industry. **There will be over 200 Pension Fund Representatives and Non-Discretionary Consultants in attendance. We have allowed for only 100 Manager Firms.** This better than 2:1 ratio, combined with participation from the most influential industry figures, creates a more enjoyable environment for all.

LEARN FROM THE EXPERTS

ABOUT THE MOST IMPORTANT TRENDS, CHALLENGES, OPPORTUNITIES AND STRATEGIES TO ATTACK THE LONG-AWAITED CYCLE CONTRACTION THAT WILL SHAPE OUR INDUSTRY FOR THE IMMEDIATE AND LONG-TERM FUTURE:

- ✓ Options to Ease the Pension Funding Crisis and Unsustainable Costs
- ✓ Best Strategies and Approaches to Mitigate Tail Risk
- ✓ Best Implementation and Allocation Strategies for a Public Fund LDI Program
- ✓ Does Risk Parity Make Sense Now? Expectations for Results during the Next Downturn
- ✓ Where are the Greatest Risks and Triggers in the Debt Markets?
- ✓ Gender Diversity and Advancement of Women in the Industry
- ✓ How can your Future Investment Returns be Impacted by Climate Change?
- ✓ What are the Latest Trends and Most Promising Areas for Impact Investing?
- ✓ Why should Plan Sponsors Actively Manage Currency - Hedging vs. Alpha?
- ✓ Challenges and Concerns in China and other EM Regions
- ✓ The Benefits and Concerns of Multi-Asset Strategies
- ✓ Expected Performance for Various Hedge Fund Strategies during the Next Downturn
- ✓ Where is the Relative Value in Credit Strategies?
- ✓ Which Sectors and Strategies will create the Best Opportunities in Distressed?
- ✓ Biggest Concerns for Private Equity and Best Approaches to New Investments
- ✓ Lower Return Expectations for Real Estate? Where is the Most Risk?
- ✓ Most Appealing Infrastructure Sectors, Geographies and Approaches
- ✓ The Portfolio Benefits of Farmland and Benefiting from the Global Food Demand
- ✓ Identifying Water Risks in your Portfolio and Profiting from Water Stress and Scarcity
- ✓ Insights from Impactful CIOs on Risks, Allocations and More

We remain in a low growth, low return environment with unfavorable demographics in the U.S. The Pension Bridge Annual will uncover various structural transformations and investment ideas that will be beneficial for long-term fiscal sustainability.

In addition to the listed themes above, we will be covering many more challenging issues that are crucial to the investment decision making process during these uncertain economic times. We will learn from the best about how to adapt in our industry which is always evolving and transforming.

THE PENSION BRIDGE ANNUAL HAS TWO GOALS IN MIND

First is to provide the **highest level of education** with the top speaker faculty. This highly regarded group will bring forth influential insights and concepts. The second goal is to help **build relationships** between the pension plans, consultants and investment managers. We have provided the best possible environment for this event which is designed to be conducive for networking. We will cap off the event with a fun and enjoyable networking outing necessary for maintaining relationships and connecting with your peers and prospective business contacts.

We look forward to a strong event and a very productive one from both an educational and relationship perspective. We have structured this conference in a manner that will be most productive and beneficial for you. We hope that you will join us to be amongst your industry peers to learn about the most up-to-date insights, investment strategies and trends.

TUESDAY, APRIL 9TH

Westin St. Francis Hotel, San Francisco

7:00 AM – **BREAKFAST**

8:00 AM – **OPENING REMARKS**

8:05 AM – **KEYNOTE SPEAKER**

8:35 AM – **KEYNOTE SPEAKER – MACROECONOMIC VIEW**

- Fed Balance Sheet Unwind – Effects for U.S., the Dollar and Globally
- The Everything Bubble
- Longer Term Implication of Tax Cuts Adding to the Deficit
- Debt to GDP Ratio
- Buffett Indicator at an Extreme
- Valuation Levels
- Margin Debt
- Corporate Debt Growth for Financial Engineering
- High Yield Defaults Outlook
- Algos and Passive Investment as a Market Risk
- Inflation/Deflation Debate
- Where are the Most Unfavorable Demographics Globally?
- What Countries Debt and Risks pose the Biggest Threat in Europe? Does that put the EU and Euro at Risk?
- China – Debt Levels, Leverage and Real Estate Bubble
- Japan's Demographics and Debt – what might be the Far-Reaching Effects?
- Which are the Shakier Emerging Market Countries that have High Debt that can be Hurt by a Strong Dollar?
- Derivatives Risk
- Expectations for Equities and Bonds
- Expectations for the Next Black Swan?
- What are the Most Appealing Investments for Low Return Environment?

9:05 AM – **THE DEEPENING CRISIS OF UNFUNDED PENSION PLANS AND ITS FAR REACHING EFFECTS OF FISCAL DISTRESS**

- Background on how we got here – what are the Contributing Factors?
- What are some Examples you've seen when Cities, Counties, School Districts and Other Local Entities are Forced to Contribute More to Keep the State System Afloat?
- Have you seen Cut-Backs on Repairing Streets and Bridges or Staffing Police and Teachers due to Pensions Crowding out Budget Spending? Any Other Cut-Backs you've seen in Education, Public Safety and Social Services?
- What sort of Higher Taxes have you seen for Scantier Services in Returns?
- What Recent Controversial Pension Reform Bills have been Passed Into Law? What were some Concessions Received and those they Didn't?
- What Trends have you seen in regards to Court Rulings on Reduced Benefits and Higher Contributions? Are the Courts Hindering Repair of this Funding Crisis?
- Do you Envision Further Credit Downgrades for Particular States due to High Unfunded Pension Liabilities? How much would this Further Complicate the Budget and Hamper Economic Growth?
- If we Face Another Strong Market Decline or Recession, what's the Time Frame for when Particular States or Plans would Face Insolvency?

- What Actions should be taken by the Joint Select Committee on Solvency of Multiemployer Pension Plans?
- Aside from Raising Taxes, what are some Possible Options to Overcome Unsustainable Pension Costs? Thoughts on Initiating a Tax on Plan Members?
- Is Issuing Bonds to Pay Off Shortfalls a Solution or a Gamble?
- How Far Reaching would a Government Bailout be if Congress included Provision in the Budget Deal for Federal Funds towards Pension Plans?
- What are the Methods of Navigating the Challenges Posed by your Governance Structure?
- Are you Getting Pressured that your Investment Costs are Too High? How do you respond to such Allegations?
- Which Investment Strategies or De-Risking Strategies do you Favor for Decreasing a Pension Plan's Unfunded Liability While Helping to Preserve Cash?
- Will we see a Shift to Hunt for Long-Term Cash Flow Investments through Partnerships and Co-Investment Structures?
- Do you believe Plans in Danger will Cut Illiquid Asset Classes in Favor of More Liquid Investments in order to Meet Benefit Payments?
- Do you see the Benefits of Adopting a Hybrid DB/DC Plan for New Hires? What are the Drawbacks?

9:55 AM – REFRESHMENT BREAK

10:25 AM – RISK MANAGEMENT AND ADOPTING A RISK CULTURE

(A) KEY CONSIDERATIONS AND TOOLS FOR MANAGING RISKS

- Overview of the Transformation from an Asset Allocation-Centered Process to a More Comprehensive Risk Allocation-Based Process
- Are there Governance Challenges that have Prevented Wide-Spread Adoption of a Risk Allocation Framework?
- How has taking a Risk Allocation Approach changed the Structure of your Plan's Fixed Income Investments? Understanding Return Seeking Fixed Income and Traditional Risk Reducing Fixed Income
- What Irregularities have we seen in Portfolios as Asset Classes are Redrawn and Renamed via Risk Allocation? Are we still too Over-Reliant on Equities?
- Challenges of Performance Monitoring, Risk Data and Systems – getting good Risk Information Across All Asset Classes and Investment Vehicles
- How can considering Diversification and Risk Independently help Investors Build More Efficient Portfolios?

(B) TOP PENSION RISKS WE SHOULD BE MOST WARY OF

- Drawdown Risk
- Transparency and Liquidity Risk – Basing it on a Cost/Benefit Evaluation
- What's the Best Approach to Liquidity Risk as it applies to Meeting Future Cash Flow Obligations?
- Leverage Risk – what are the Best Approaches to keep these Risks within Acceptable Parameters?
- Equity, Credit, Duration, Inflation/Deflation, Currency, Geopolitical Risk Considerations
- Understanding Asset Class Correlation and Behavior Risk – Tendency of Interest Rate and Inflation Shocks Driving Both Equities and Bonds in the Same Direction, (Correlations Change)
- Other Risks such as Model Risk or Operational Risk
- How does Stress Testing or Scenario Analysis factor into your Process?
- What should Keep CIOs and Staff Up at Night?

(C) COMMUNICATION

- How do you Communicate your Risk Tolerances with your Board, Managers and Media?
- How has the Role of Fiduciary Responsibility Changed?
- What should Boards/Organizations Consider when Building a Risk Culture?
- How do you go about Educating a Board on Risk?
- What Metrics Aid in the Decision-Making Process?
- How does a Plan's Size affect the Approach to Pension Risk Management?

11:15 AM – RISK MITIGATING STRATEGIES

- Understanding Tail Risk Frequency, Severity and Impact
- Why should this be its Own Bucket or Asset Class? What Type of Allocation is Warranted?
- Understanding the Value of Risk Mitigating Strategies - why is it Important to Improve your Risk/Return Profile Now?
- What Risks can be Efficiently Hedged in the Financial Markets?
- What Types of Strategies and Approaches are used to Hedge? Advantages and Disadvantages of Each Approach?
- What are the Merits of an Option Overlay Strategy In Lieu of Owning a Tail Risk Hedge?
- What are the Trend or Momentum Following Strategies that you Prefer for Downside Protection?
- Why is Global Macro the Ideal Hedge Fund Allocation for Diversification and Decreasing the Depth of Drawdowns?
- How has Managed Futures Performed During Periods of Market Stress or Crisis Events?
- Long Duration U.S. Treasuries as a Diversifier in Extreme Market Conditions
- Building a Tactical Portfolio using Futures to Reduce Tail Losses and Enjoy Larger Gains
- Put Options as Insurance
- Using Information from the Derivatives Markets to assess Stress Points - where we are seeing Tail Risks Building?
- Systematic Risk Premia Allocations - does it Enhance Performance Outcomes? Are Short Track Records and Wide Variations in Products Concerning for Trend Risk Premia?
- Are there Alternative Ways to Deal with Equity Risk? How Defensive are these Strategies?
- What's the Most Challenging Aspect of Implementing a Risk Mitigating Strategies Program?
- How do you Measure Success?

11:50 AM – LIABILITY DRIVEN INVESTMENT (LDI), AND HOW IT CAN BE APPLIED TO PUBLIC DB PLANS

- What have Plans done to address the Hurdles of Low Pension Funded Status and Low Interest Rates over the past few years?
- Does LDI Make Sense Now Considering Current and Future Market Conditions? What is the Risk/Return?
- Are Plan Liabilities the only appropriate Benchmark?
- How does a Public Fund Implementation and Liability-Focused Allocation Differ from a Corporate Fund?
- Are some Approaches More Appropriate in a Less Liquid Fixed Income World?
- Do Plans need to Customize their Liability Hedging Allocation?
- For a Public Fund, what Cash Flow Generative Strategies would allow for the Portfolio to Reduce the Funding Ratio Volatility and Meet the Benefit Payment Needs?
- Understanding the Components of Performance Measurement and Evaluation - Risk Budgeting, Scenario Analysis, Liquidity Analysis and Performance Reporting
- What are some Industry Trends that Clients should be aware of in the LDI Market?
- Beyond the Ability to Earn Excess Returns, what should Investors look for in Selecting LDI Managers?
- Will we see a Strategy More Common in Europe with Plan Sponsors Combining an LDI Strategy with the Purchase of Longevity Insurance to Further Reduce Risk?
- What are some Common Myths that are Holding Back Plan Sponsors from Implementing a De-Risking or LDI Strategy?

12:20 PM – RISK PARITY

- Risk Parity Explained
- Do you believe Risk Parity can Play a Role In and Contribute to Market Volatility?
- What are the Hidden Risks and Drawbacks of Risk Parity Portfolios?
- Does Risk Parity Make Sense Now if we Expect Low Market Returns in the Future?

- How did Risk Parity Perform during the last Financial Crisis Compared to other Asset Mix Models? Would you Expect Similar or Different Results for the Next Downturn?
- Is it possible that Bonds will Become Less Likely to Protect against a Large Drawdown in Equities?
- Is there an Over-Reliance on Bonds with Current Valuations? Should we be Worried about Leverage or Leveraging the Inappropriate Assets?
- Commodities Role in Risk Parity and Expectations
- Active Strategy? Passive? Extent to which a Risk Parity Portfolio is Managed?
- Leverage and Illiquidity Do Not Mix – any Approaches to Avoid this Combination?
- What Progress have we seen towards Adopting an Appropriate Benchmark?
- Thoughts on Measuring Expected Tail Loss Rather Than Volatility for Tail Risk Parity? Can it be More Effective?
- How do Investors Bucket the Risk Parity Strategy within the Asset Allocation Framework?
- How should Investors think about Differences in Forecasting Volatility when Selecting a Manager?

12:35 PM – LUNCH

1:45 PM – UNCONSTRAINED FIXED INCOME

- Assessing the Current Environment – Implications on Unconstrained for where we are in the Credit Cycle, Interest Rate Cycle and Fed Unwinding of QE
- How do you Approach Portfolio Construction with the Need for Increased Disaggregation of Alpha Sources?
- With the Proliferation of Products which are Diverse, what is the Return Objective?
- How do you Benchmark and Define Success for Unconstrained Fixed Income Strategies?
- With Non-Linearity of Risk Correlations and Volatility Not Being Stable through time, how are you Taking Advantage of Current Market Dislocations?
- How Important is Liquidity Management? Should Investors think about Transparency of Positioning in Unconstrained Fixed Income?
- What are the Implications of Reduced Liquidity?
- Is the Recent Tilt Towards Higher Carry or Less Carry within specific Spreads such as Bank Loans, High Yield and Syndicated Loans, EM Debt, etc.?
- Where do you see the Greatest Risks in the Debt Markets and what might be the Trigger Points that Enhance that Potential?
- Are you Building Dry Powder at this point in the Credit Cycle?
- What Progress have we seen for a Factor or Risk Premium Approach for Assessing Risk?
- Do you see a Supply/Demand Imbalance in Long-Duration Fixed Income? What does that Imply for Investors?
- Using Structured Products, Swaps and Derivatives to Create Alpha and Hedge Volatility
- Emerging Markets Local Fixed Income – what are the Opportunities? Currency Risk Factors? Should Currency Exposures be Hedged or Unhedged?
- What are your Expectations and Outlook for Corporate Debt? Do you see a Disaster in the Making?
- Taxable Municipals vs. Corporate Bonds – Which Make More Sense Now?
- Do you view Bank Loans as a Hedge in Rising Rate Environment?
- If Trump Moves on GSE Reform, how would that Impact the MBS Market?
- Understanding how to Select Alternative Managers – Multi-Sector, Multi-Region, Multi-Currency Skill Set or Duration Range Targets?

2:30 PM – WOMEN AND THEIR INCREASING ROLE IN INVESTMENT MANAGEMENT

We'll revisit this topic as it created quite the buzz at last year's event and we'd like to keep the momentum moving for this initiative. Diversity, specifically for women, is a standard that can be achievable when viewed as a requirement, not a commercial imperative.

- What are some Ways we can Encourage Organizations to Embrace and then Require Gender Diversity?
- What is the Most Common Reason why Investors do not have Specific Women-Owned Investment Mandates? How Big an Issue is Lack of Supply?
- With just 6.5% of Global Private Equity Firms having Partners or Managing Partners that are Women (source: Preqin), how do you approach Beating those Odds?
- How does Diversity Impact your Organization? Any Gender Diversity Experiences you can Share?

- Have we seen any Statistical Performance for Women and Minority-Owned Investing? What about the Performance of Female Hedge Fund and Private Equity Managers?
- What Programs or Organizations do you believe are Helpful in the Advancement of Women in the Industry?
- What Can Institutions do to Support Women's Advancement to the Top Levels of Leadership?
- How might Specialization be an Important Way for Women to offer a Diversified Strategy Approach?
- Controversial Topic – Is there a way the MeToo Movement can be Destructive with Quotas Resulting in Distortions of Decision-Making and Passing up Superior Candidates for a Job?
- Thoughts on the FTSE Russell Women on Boards Leadership Index Series and its Ability to Achieve Gender Diversity?
- What Career Advancement Advice would you give to Younger Women who are Passionate and Fairly New to Investment Management?

3:10 PM – REFRESHMENT BREAK

3:40 PM – ENVIRONMENTAL, SOCIAL AND GOVERNANCE, (ESG)

- What's the Difference Between ESG, Socially Responsible Investing, (SRI) and Impact Investing?
- Do we have Proof that ESG Integration Adds Value?
- ESG Fund Performance vs. Traditional Funds
- What are Some Common Myths About ESG?
- Do Firms with Good Performance on SASB Topics Outperform Firms with Poor Performance on those Topics?
- How do you Approach ESG from a Fiduciary Standpoint and for the Development of your Plan's Investment Beliefs?
- Why are UN Sustainable Development Goals Important? What Ways are you using them to Help Investing in New Opportunities and Identify Future Areas of Risk?
- How should ESG be best Incorporated into the Investment and Due Diligence Process?
- What Tools, Data or Trends have we seen for ESG Implementation? What Initiatives are Focused on Driving Towards a Sustainable Global Economy?
- What are the Perceived Obstacles to applying an ESG Framework to the Stock Selection Process?
- How can your Future Investment Returns be Impacted by Climate Change? Aside from Assessing Risks to Real Estate in Rising Sea Level Coastal Areas, what Risk Factors should we be Analyzing?
- What Approach should be taken to have a Climate Change Action Plan in place to address these Climate Risks?
- How should we approach Carbon Risk Management within an ESG Framework?
- Considerations for Investing in a Passive ESG Index – thoughts on Low Carbon Index? Combining ESG with Smart Beta?
- Will there come a time when Plan Sponsors Only Invest with UN PRI Investment Manager Signatory Firms?
- How are you Integrating ESG into your Real Estate, Private Equity and Infrastructure Investments?
- Understanding Relevant Benchmarks for ESG Risk Measurement

4:15 PM – IMPACT INVESTING

Intent to generate a social and/or environmental impact in addition to a financial return. Tackling the toughest societal challenges: global health (treating and preventing disease), sustainable food systems through better agriculture, education, access to water (resource constraints), environment and climate change, diversity and inclusion, economic development, community building and more.

- The Role of UN's Sustainable Development Goals in Impact Investing Strategy
- What does the Future Hold for Impact Investing?
- What are the Top Challenges or Roadblocks for Investors?
- What are the Opportunities for Impact Investing in Emerging Markets versus Developed Markets?
- What are the Latest Trends in Impact Investment Globally? Most Promising Areas?
- Investing in Technology for Social Impact
- Measuring Social Impact – should you verify that the Funds you Invest in have their Portfolios Independently Measured and Verified by B Lab's GIIRS Impact Rating System?
- What are the Biggest Areas Risks of Impact Investing Projects?

- Do Larger Firms have an Advantage in this Space?
- Why is Private Equity Particularly Well-Suited for Impact Investing?
- What are some of the Socially Impact Bonds or Municipal Impact Bonds you've Invested in?
- Do you find it Difficult to Measure the Impact of Public Market Investments?
- What Evidence have we seen that Impact Investments will Reap Healthy Returns?
- How should Impact Investors think about Reporting?
- For the Next Inevitable Downturn or Recession, will Investors Abandon this Space? When and How Will it Become Mainstream?
- Cambridge Associates PE/VC Impact Investing Benchmark – any early Conclusions Despite the Limited Sample Size and Overall Youth of the Funds?

4:45 PM – EMERGING MARKETS

- Macro Environment and Recent Developments – how does that affect your Investments?
- With Central Banks Tapering, do you see a Correlation with Weaker EM Returns? What about a Stronger Dollar for a Prolonged Period? Weak Commodity Prices?
- What would be the Effects on Emerging Markets if we see Weak Growth in the U.S.? Instability in the Eurozone? Slowdown in China?
- How will the Trade War affect China and other Emerging Markets? Any Markets that are More Insulated?
- What is an Appropriate Long-Term Allocation to Emerging Markets? What should that Allocation look like, (Public Equity, Fixed Income, Private Equity, Frontier Markets, Alternatives, etc.)?
- What are Realistic Return Expectations? How might that Differ based on Region?
- How do Valuations look Relative to Risk in Different Regions?
- Outlook for China – are you Concerned about their Credit and Real Estate Bubbles? Thoughts on Trade Challenges?
- What are the Key LP Concerns and Challenges in Particular Regions?
- Identify what Country or Region you see Favorable Demographic Trends such as a Growing Middle Class, Urbanization, Promising Consumer Buying Behavior and Economic/Fiscal Reforms
- Which Markets in Frontier Countries can you Profit from Strong Growth and Access a Lower Correlation?
- What can be done to Mitigate Currency Risks?
- After seeing Argentina and Turkey with a Currency Crisis caused by High Debt and Surging Inflation that follows, are there Any EM Countries to Avoid?
- The Case for Emerging Markets Corporate Debt
- What Metrics are you using to Determine Relative Value in Sovereign Bonds?
- Public vs. Private Emerging Markets – Benefits and Drawbacks of each
- Active vs. Passive Debate
- Choosing an Emerging Markets Fund or Manager – should you be Investing by Region, Country or Sector?
- Given the Current Environment, will Emerging Markets Outperform Developed Markets?

5:25 PM – COCKTAIL RECEPTION

6:40 PM – COCKTAIL RECEPTION CONCLUDES

WEDNESDAY, APRIL 10TH

Westin St. Francis Hotel, San Francisco

7:00 AM – BREAKFAST

8:00 AM – KEYNOTE SPEAKER

The Science and Technology Revolution – Alpha by Investing in Innovation

- Historic Transformation
- Accelerating Pace of Innovation
- Investment Opportunity through Future Innovation
- Future Innovations and their Impact – Transportation as a Service, Artificial Intelligence/Deep Learning, Robotics, Blockchain, Internet of Things, Life Sciences, Improvements in Education
- Economic Modernization of China – Industries with Opportunity
- Economic Modernization of India Coming Into Focus

8:30 AM – THE NEXT FRONTIER OF MULTI-ASSET INVESTING

- How has Multi-Asset Investing Evolved over the Years? How do you Navigate the Various Options and Approaches that are available today?
- Do these Strategies Reduce Correlation, Lower Volatility and Limit Downside Risk or Drawdown? If so, by How Much?
- What are the Common Sub-Asset Classes Included in Multi-Asset Strategies?
- Constructing the Portfolio – Risk Factor Approach
- How are Investors Incorporating Multi-Asset Strategies in their Portfolios?
- How do you see this Space Evolving in a more Treacherous/Volatile Market? Do you Worry that Dynamic and Tactical Asset Allocation Decisions that have been Little Tested in Recent Years can Harm Performance with Too Heavy a Reliance on Market Timing?
- Aside from Asset Allocation Skills, what other Skills are Required for the Ability to Generate Alpha and be Successful?
- Are Tactical Tilts More Transparent Today?
- How Worrisome is the Reliance on Stable Correlation Relationships with No Certainty those Relationships will Persist?
- How Much Value can one get Via Tactical Asset Allocation if you have the Right Expertise?
- Do you believe that Multi-Asset Funds have Sufficiently Incorporated Risk Controls into the Design of their Products?
- Understanding Dynamic Tail Risk Management Via Asset Allocation
- Is Excessive Leverage a Concern?
- How do you Measure Performance?
- Any Favorable Trends in Fees for Investors?
- How do Multi-Asset Managers Differentiate Themselves in this Crowded Field?

9:00 AM – HEDGE FUNDS

(A) CURRENT AND FUTURE STATE OF THE HEDGE FUND INDUSTRY

- Will Hedge Fund Underperformance Shift and Why?
- What is an Appropriate Fee Structure for Hedge Funds? Have you Seen More Fee Structures that Reward Alpha and Not Beta for Better Alignment of Interests and Avoid Overpaying for Underperformance?
- As an LP, do you find it Difficult to get Hedge Fund Managers to Provide Accurate Fee Information in a Timely, Efficient Manner? Do you believe we're In Need of a Standardized Reporting Template like ILPA for Private Equity?
- Why do Smaller Hedge Funds Outperform?
- With Crowding in FAANG and other stocks, do you see this as a Risk and a Contrarian Indicator for those Equity Holdings when the Cycle Turns?
- What is Driving the Increase in Demand for Strategies Uncorrelated with the Capital Markets? Which Low Correlated Strategies are Most Attractive?

(B) IMPLEMENTATION OPTIONS

- If there was a Hedge Fund Strategy you would Invest in over the next Few Years, which one would it be and why?
- What sort of Downside Protection, Drawdown or Return Range do you expect we'll see from each of the Different Hedge Fund Strategies during the Next Market Downturn?
- Do you find Opportunities within the Global Macro Space Attractive and if so, why?
- Managed Futures – Diversification and Performance during Periods of Market Stress or Crisis Events. How much can it Decrease the Depth of Portfolio Drawdowns and Volatility?
- What is the Future of the Fund of Funds Space? How has it Changed in Recent Years? Where will Fees be? What will it take to Stay Competitive?
- Long-Short Equity Hedge Funds – what Differentiates Managers that have been able to Outperform?
- Liquid Hedge Fund Products such as UCITS, 40 Act and Hedge Fund Replication – are they a Viable Alternative and Under what Circumstances? How has their Performance and the Lower Fees Fared to Hedge Funds?
- The Role of Alternative Beta/Risk Premia Strategies in a Hedge Fund Portfolio – what are the Appropriate Expectations from a Sharpe Perspective?
- How do Emerging Managers Differentiate Themselves in the Quest for Institutional Capital?
- Implementation Considerations for Due Diligence, Portfolio Function and Manager Selection. What are the Key Traits you should be looking for? Key Characteristics for Quantitative Strategies?

(C) PORTFOLIO CONSTRUCTION AND RISK MANAGEMENT

- What is the Role of Separate Managed Accounts? What are the Benefits? Are they Better than Commingled Funds?
- Any Recent Trends you've seen for Pension Plans as far as Fees, Transparency, Customization, Increased Partnership, etc.?
- As an Investor, do you Negotiate the Frequency of Performance Fee Payments (Fee Crystallization), with your Managers so that it Doesn't Lead to Hidden and Higher Costs?
- Importance of Operations Due Diligence. Any recent Developments? How often should Operations be Reviewed?
- What Trends do you see Developing in Regards to the way we Evaluate Liquidity Provisions for Hedge Funds?

9:45 AM – REFRESHMENT BREAK

10:15 AM – CREDIT STRATEGIES

- Current State of the Credit Market
- What will be the Catalyst that will cause Credit Spreads to Widen and Defaults to Rise?
- What is the Opportunity Set in Credit Strategies? Where is the Relative Value?
- What Subsectors of Credit are Most Attractive given the Stretched Valuations? Any Areas you are Avoiding?
- Do you see Investors being more willing to Trade Liquidity for Yield and should that be of Concern?
- High Yield Market – is it possible to see a High Yield Meltdown with a Lack of Liquidity? Understanding the Corporate Debt Risk Factors and the Strong Correlation to Equities
- Bank Loans Overview
- Outlook and Considerations for Structured – Are CLOs Safer than Pre-Crisis?
- Outlook for Emerging Market Debt
- Public vs. Private Credit
- Is Direct Lending in a Bubble and how would you Position for that?
- Opportunities and Risks for Europe and Asia
- How much should Plan Sponsors be Allocating to Credit? What is the Optimal Structure to a Credit Portfolio?
- Considerations for Selecting a Manager and Strategy
- Why should Multi-Asset Credit Strategies be a Tactical Asset Allocation with Dynamic Management for Pension Plans?
- How do we Develop Return and Risk Expectation for this Asset Class?
- How do we Benchmark Performance?

10:55 AM – DISTRESSED INVESTING – OPPORTUNISTIC AND SPECIAL SITUATIONS

- How does the Interest Rate Environment and Fed Balance Sheet Unwind Affect your Plans?
- What are your Expectations for Default Rates going forward?
- What is Most Worrysome in Distressed Markets Today Versus a Few Years Ago?
- When will the Vast Sums of Undeployed Capital come in off the Sidelines? Do you Need an Economic Downturn?
- Is Direct Lending a Bubble and if so, how would you Invest When it Pops?
- Where do you see the Largest Demand from Clients? What are they Most Interested In?
- Which Sectors, Strategies and Geographies will create the Best Opportunities? Any Areas that should be Avoided?
- What Distressed Opportunities are we seeing the Energy Sector?
- What's the Potential Impact of the Debt Piled up by Corporations for their Share Buybacks?
- Will the Prevalent Covenant-Lite Deals create Problems during the Next Cycle?
- What are the Opportunities and Risks in Europe? Any Countries, Sectors or Types of Deals that Stand Out?
- Do you see Opportunities in Asia or Elsewhere Globally?
- What are the Recent Leverage Trends?
- Do you worry about a Liquidity Problem in ETFs and other Structured Credit Vehicles if there is Credit Event?
- Has the Regulatory Environment Changed the Opportunity Set? How has it Impacted your Firm?
- How do Investors go about Choosing the Right Distressed Strategy, Size, Investment Style and Approach?
- How will the Different Implementation Approaches affect Expected Returns? Control vs. Non-Control? Private vs. Public?
- Distressed Debt Vehicles in Hedge Fund Format vs. Private Equity Drawdown Structures – what are the Pros and Cons of Each?
- What Skill Sets/Characteristics should Pension Plans look for in a Distressed Manager?

11:30 AM – CURRENCY HEDGING AND CURRENCY ALPHA

(A) CURRENCY MARKET OVERVIEW

- What are the Factors Driving Currencies Today?
- Do you Worry about the Uncertainty Surrounding the Euro and EU?
- What is the Relationship Between Volatility and Currency Returns?
- Can Currencies be Forecasted via Fundamentals, Cycles and Trends?
- Benefits of Active and Dynamic Currency Management
- What are the most Common Reasons Asset Owners give for Not Actively Managing Currency? Are these Reasons Valid or Not?
- What is the Impact Forex can have on Overall Risk and Returns for International Equity and Bond Portfolios?
- Widely Confused Difference Between Currency Hedging and Currency as an Asset Class – how do they Differ in terms of Implementation Approaches?
- What are the Merits and Demerits of Adopting a Hedging Program vs. an Alpha Program?
- Different Skills Required for Currency Hedging vs. Currency Alpha – should a Different Manager be used for Each Approach or is it Possible to be Skilled in Both?

(B) CURRENCY OVERLAY HEDGING

- Given Plan Sponsors Non-U.S. Exposure, what Factors should be Considered in the Determination of Implementing a Currency Hedging Program?
- Is there an Optimum Currency Hedge Ratio for a Plan?
- How much of a Reduction in Portfolio Volatility and Risk should be Expected?
- Can it be More Beneficial to be Unhedged?
- Hedging Costs – how should this factor into your Decision?

(C) CURRENCY ALPHA

- How does Employing a Currency Alpha Strategy fit into an Asset Allocation Framework?
- Benefits of Non-Correlated Returns to Equities, Fixed Income and Alternative Investments
- How does Investing in Currency Diversify and Reduce Risk? Natural Diversifier for the Duration Risk in Bonds?
- How do you Manage Risk Factors?
- What are the Return Expectations?
- When considering Investing in an Active Currency Strategy, what should you look for in a Manager?

12:00 PM – LUNCH

1:05 PM – PRIVATE EQUITY

- What's your Biggest Concern – Valuations, Excess Dry Powder, Downturn, etc?
- How are you Positioning Your Portfolio given the Current Market Conditions?
- Any Lessons Learned from the Financial Crisis? What are you doing Differently when Approaching New Investments?
- Protecting your Current Portfolio – how would you Guard Against your Existing Portfolio?
- Where are your Most Optimistic Returns Going Forward as far as Sector, Geography or Niche Strategy? What's your Biggest Worry?
- Which Lower or Non-Correlated PE Strategies have you Allocated to or Favor?
- Where do you see the LP/GP Relationship in the Future when it comes to Separately Managed Accounts, Strategic Partnerships, Co-Investments, LPs Concentrating Portfolios, etc.?
- Transparency and Fees – As an LP, has this Impacted your Ability to Commit Capital? SEC's Impact?
- Have you gotten More Involved in your GP's Valuation Process? How have you Achieved this Transparency Demand? Thoughts on the Fair Value Quality Initiative?
- Thoughts on GPs Selling Minority Stakes to Third Party Investors like Dyal or Petershill? Any Negative Implications that you can Foresee?
- Subscription Lines of Credit and Risk – how can you Better Understand How these Lines have Altered Returns? Thoughts on ILPA's Guidelines?
- Do you believe we're in a Venture Capital/Technology Bubble? How do you View the Venture Space today?
- For Co-Investment Deals that Underperform, what are the Reasons Why?
- Where can we find Good Returns in Private Credit Without Taking Inordinate Risk?
- Why should Secondaries be a Core Holding?
- Issues, Outlook and Opportunities for European PE

1:50 PM – INFRASTRUCTURE

- State of the Infrastructure Markets
- Is there Too Much Capital Chasing Too Few Deals?
- With High Competition for Larger Investments, could there be More Return Potential in Smaller Projects?
- How has Performance been and what are the Recent Return Expectations?
- What have been the Effects of the Low Interest Rate Environment on Infrastructure and how might that Affect Returns and Leverage Going Forward?
- Which Sectors are Most Attractive?
- Which Geographies are Most Appealing? Developed or Emerging Economies?
- Approach – Greenfield vs. Brownfield?
- Why is Infrastructure Debt Attractive? Will it deliver for Investors Searching for Yield?
- What are the Biggest Challenges/Risks associated with Infrastructure Investing?
- Do you believe Credit Risk might be Under-Appreciated?
- Opportunities in Public-Private Partnerships?
- How have GPs Adopted ESG Principals?

- What are the Most Attractive Investments within Renewables?
- Listed vs. Unlisted – which do you Favor in a Volatile Market for Downside Protection? Do Rising Interest Rates Favor Either?
- Any Advantages or Limitations for Co-Investments? Separate Accounts?
- What are the Advantages of Open-Ended Funds over Closed-Ended Funds? Will we Continue to see a Surge in Open-Ended Funds in the Coming Years?
- What are the Major Technological Trends that will Shape Infrastructure Investing in the Coming Years?

2:25 PM – REAL ESTATE

- Are you Expecting a Drop in Pricing and Lower Returns? What are your Returns Expectations for the next 5-10 Years?
- Where do you See the Most Risk? How are you De-Risking?
- Are you Slowing Down, Maintaining or Increasing your Pace of Investment?
- Where are the Most Crowded Trades? Are there any Less Crowded Trades?
- What are your Return Expectations for Core?
- Within Non-Core, what Risks are Investors Willing to Take?
- What is the Biggest Threat to Commercial in the next few years for this Fully Priced Market?
- Are you Making Pivots or Tilts to Take Advantage of Macro or Socio/Demographic Trends?
- What are you seeing in the Market Today with Respect to Volume of Transactions and Pricing?
- Thoughts on the Bridge Financing Opportunity for Maturing Commercial Real Estate?
- What Real Estate Technology Trends are you Watching Most Closely?
- What's happening with Leverage? LP Preferences for Use of Leverage?
- Any Niche Property Types that you Like?
- Asia and European Real Estate Outlook – Opportunities and Investment Trends
- With the Privatization of Fannie Mae and Freddie Mac a Possibility, what would be the Effect on Real Estate Portfolios?
- Will Co-Investments become more Common?
- Current State of the Real Estate Secondary Market
- Thoughts on Programmatic Joint Ventures?
- Are we still seeing a Decline in Closed-Ended Funds? If so, Why and Will it Continue?
- Larger vs. Smaller Fund Size – which ones will Outperform going forward?
- What Strategies do you see as the Biggest Risks and the Biggest Rewards/Relative Value for the Future?

3:10 PM – REFRESHMENT BREAK

3:35 PM – INVESTING IN FARMLAND

- Demographics, Global Food Demand and Land Scarcity as Macro Drivers
- Is Farmland a Good Investment if we have another Downturn or Financial Crisis?
- How has Historical Performance been?
- What are the Portfolio Benefits?
- Understanding the Evolution of U.S. Farmland Ownership and what the Transition will look like for Institutional Ownership. How might that Compare to Ownership of Timberland?
- What are the Physical-Casualty Risks? Is it a Concern or is it Proactively Managed through Operating Practices of the Farm?
- Would a Drop in Commodities Prices hurt Farmland Returns? Importance of Crop Diversification
- How might this Asset Class be Impacted by Future Regulatory Decisions?
- Thoughts on the Rise in Farmland Debt Strategies that have Attracted Investors?
- Is it Difficult to Access Farmland through Public Markets? Might the Public REIT Market Evolve for Farmland? What are the Pro's and Cons of these REITS?

3:50 PM – INVESTING IN WATER

The World Economic Forum has ranked water as a top global risk for the past several years. The growing focus on water scarcity has many eyeing opportunities. The United Nations estimates that almost half of the world's population will live in areas of high water stress by 2030, with a 40% shortfall between water supply and demand.

- What Factors are Contributing to Water Stress and Risks?
- How are Investors Identifying and Evaluating Water Risks in their Portfolios?
- Does the Ceres Investor Water Toolkit Serve its Purpose to Help Investors Evaluate and Understand Water Risks in their Holdings?
- ESG Social Benefit – Investing in Projects and Companies that will Help Clean, Distribute and Maintain our Water Supply
- Where are the Most Attractive Opportunities?
- Are you Seeing Situations where the Government is Underwriting some of the High Impact Risks of the Project?
- Should Pensions be Seeking Greenfield or Brownfield Investments and Why?
- What are the Biggest Investor Challenges?
- How do you Overcome the Investor Lack of Clarity on the Yield they will Receive once the Project is Built?
- What are your Predictions for Growth in this Space?

4:05 PM – CIO ROUNDTABLE

(A) RISKS, ALLOCATIONS AND MACRO-BASED DECISIONS

- In this Fully-Valued Environment, how are you Balancing the Risk of a Large Drawdown with your Return Goals? Has it Impacted your Asset Allocation?
- Which De-Risking Strategies or Investments with a Low/Non-Correlation have you Allocated to?
- Do you believe your Hedge Fund Strategies will provide a Cushion for the next Market Downturn? How do you use them to Reduce Risk?
- Have you Trended Towards a Passive Equity Allocation? When Volatility Rises, do you Believe Active Managers will Outperform?
- Have you made Long-Term Cash Flow Investments through Partnerships and Co-Investment Structures?
- Do you Believe the Impact of Regulation along with the Shift Towards Passive Management has Created a Reduction in Market Liquidity? Will there be Sufficient Liquidity in the System to Cope with Conditions of Market Stress? Has it Impacted your Fund or Decisions?
- Is there Some Point at which Higher Rates would cause you to Rethink your Asset Allocation or Other Strategies?
- What Percentage of your Pension Fund's External Asset Management uses ESG Factors? Percentage Excluding Hedge Funds? Do you have Plans to Increase the Use of ESG Managers?
- How are you Viewing Emerging Markets Broadly and what do you feel is the proper EM Allocation? Any Regional or Frontier Strategies that interest you?

(B) ALIGNMENT OF INTERESTS

- What Changes or Trends have you noticed in Fee Structures/Terms and your Bargaining Power? Has the Size of your Fund been an Advantage or Disadvantage?
- How can you Overcome Governance Hurdles so that you can Effectively Partner with Outside Providers, Bring a Portion of the Investment Management In-House and Provide Incentive-Based Compensation?
- Have you Taken Steps to Address Diversity within your Investment Programs or your Organization's Staff?
- Do You and Your Investment Departments have the Authority to be a Dynamic, Tactical and Active Investor In Response to Extreme Economic Conditions?
- Have you Addressed Cybersecurity Protection for your Plan? How have you Educated of the Risks with Staff and Taken Steps for Protection with Investment Managers?
- Any Important Lessons Learned that you can Share from your Individual Plan Experiences?
- What Keeps You Up at Night?

5:00 PM – CONFERENCE CONCLUDES

5:00 PM – TICKETS FOR NETWORKING EVENT HANDED OUT IN CONFERENCE ROOM

6:00 PM – NETWORKING EVENT, TBD

ATTENDEES OF THE NETWORKING EVENT MUST BE PRESENT IN THE CONFERENCE ROOM IN ORDER TO RECEIVE TICKETS

REGISTRATION:

To register or receive more information about The 2019 Pension Bridge Annual:

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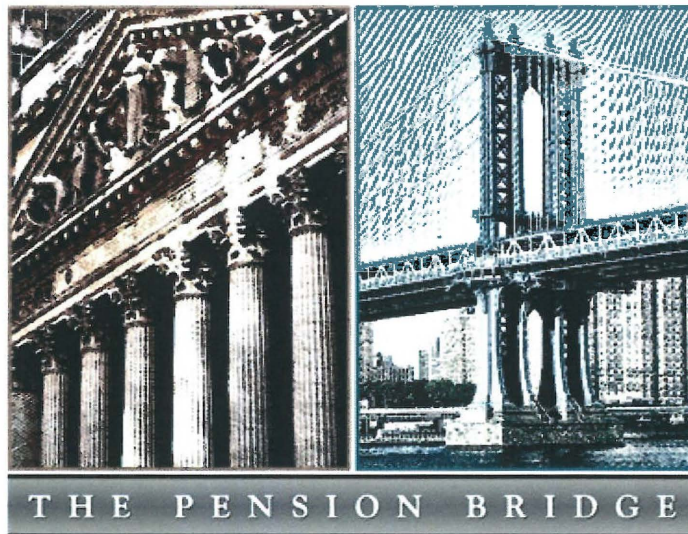
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Please visit www.pensionbridge.com for additional details. Registration is not available online.

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