MEETING OF THE BOARD OF RETIREMENT

THURSDAY, SEPTEMBER 17, 2020
9:00 A.M.

SDCERA BOARD ROOM
2275 Rio Bonito Way
San Diego, CA 92108

The next regular meeting of the Board of Retirement is scheduled to be held on October 15, 2020, via teleconference unless public health orders related to the COVID-19 health emergency are revised or rescinded.
SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

RETIREMENT BOARD MEETING
THURSDAY, SEPTEMBER 17, 2020 – 9:00 A.M.
2275 Rio Bonito Way, SDCERA BOARD ROOM
San Diego, CA. 92108

Due to the COVID-19 public health emergency, SDCERA’s Board meeting will be held via teleconference and the Board Room will be closed to the public. A live stream of the meeting will be available at sdcera.org. Written comments may be emailed to the Board at comments@sdcera.org.

AGENDA

TRUSTEES: Richard Tartre (Chair), Skip Murphy (Vice-Chair), David Gilmore (Secretary), Bob Goodchild, Thomas Hebrank, Mark Hovey, Dianne Jacob, and Dan McAllister. Alternate Trustees: Tim Hancock and Susan Mallett.

THE BOARD MAY TAKE ACTION ON ANY ITEM ON THE AGENDA, AND AGENDA ITEMS MAY BE TAKEN OUT OF ORDER

1. Roll Call.

2. Pledge of Allegiance.

3. Non-agenda Public Comment.

4. Approval of the August 20, 2020 Board Meeting Minutes. (TAB 1)

5. Staff Reports.
   A. Chief Benefits Officer’s Report. Jim Lery (TAB 2)
   B. Chief Financial Officer’s Report. Sally Choi (TAB 3)
   C. Chief Legal Officer’s Report. Brant Will (TAB 4)

6. Consent Calendar.
   A. Disability Application Approvals.
      1. Member application of Travis B. Johnson for a Disability Retirement. Adopt Administrative Recommendation to grant a Service-Connected Disability Retirement.

3. Member application of Chris S. Pangalos for a Disability Retirement. Adopt Administrative Recommendation to **grant** a Service-Connected Disability Retirement.

B. Service Retirement Applications for August 2020. (TAB 5)

7. **Report from Audit Committee.** Dan McAllister, Audit Committee Chair

8. **Report on Information Technology Status.** Steve Sexauer, Interim Chief Executive Officer

9. **Report on Pension Administration System.** Steve Sexauer, Interim Chief Executive Officer, Jim Lery, Chief Benefits Officer, Brian McKelvey, Business Systems Director

10. **Adoption of the Calendar Year 2021 Retiree Health Program Administrative Fee.** Jim Lery, Chief Benefits Officer (TAB 6)

11. **Review and Adoption of Board Policies.** Brant Will, Chief Legal Officer (TAB 7)

Gov. Section 18 Vendor Selection Policy.

12. **Investment Division Reports.** Steve Sexauer, Chief Investment Officer

   A. CIO’s Staff Report. (TAB 8)

   B. CIO Markets Update. (TAB 9)

   C. Risk-Return Report. (TAB 10)

13. **Seminars and Conferences.** (TAB 11)

14. **Information Items.**

   A. SDCERA Participants Report for August 2020. (TAB 12)

   B. Legislative Report. (TAB 13)

15. **Future Agenda Items/Matters to be Referred to Staff.**

NEXT REGULAR MEETING

The next regular meeting of the Board of Retirement is scheduled to be held on October 15, 2020, in the SDCERA Board Room, 2275 Rio Bonito Way, San Diego, CA 92108. If the public health orders related to the COVID-19 public health emergency are not revised or rescinded before October 15, 2020, the next regular meeting will occur via teleconference.

PUBLIC COMMENT

Members of the public may address the Board on subjects not included on the agenda during Non-agenda Public Comment. The public may address the Board on specific agenda items when an item is considered by the Board.

Due to the COVID-19 public health emergency declared by the Governor, SDCERA is only able to receive public comment in writing as described in this agenda.

CALIFORNIA GOVERNMENT CODE SECTION 1090: INTEREST DISCLOSURE

Pursuant to California Government Code Sections 1091.5(a)(3) and 1091.5(a)(9), a county officer or employee does not have a financial interest in a county contract if these conditions are satisfied: (i) his or her interest is that of a person receiving a salary, per diem or reimbursement for expenses from a government entity, including without limitation retirement benefit accruals and/or payments from SDCERA, and any contemplated change in that interest would apply broadly to similarly situated SDCERA members, such that the interest is not unique, personalized or individually tailored to the Board member; (ii) the contract does not directly involve the department of the government entity that employs him or her, and (iii) the interest is disclosed to his or her body or board at the time the contract is considered and is noted in its official record. In accordance with this statute, the following Board members request that the Board note in its official records that they are employed by and receive a salary, per diem or reimbursement for expenses from the County of San Diego: Dan McAllister (Treasurer-Collector); Dianne Jacob (Board of Supervisors); David Gilmore (Sheriff’s Department), Bob Goodchild (HHSA) and Timothy Hancock (Probation Department). The following Board members request that the Board note in its official records that they receive retirement benefits from SDCERA: Susan Mallett and Skip Murphy.

ACCESS TO AGENDA

CALIFORNIA GOVERNMENT CODE SECTION 54957.5 NOTICE

Any public documents distributed to the trustees of the Board of Retirement, including those distributed to the trustees less than 72 hours prior to the meeting, are available for public inspection on SDCERA’s website: sdcera.org.

DISABILITY ACCESS

SDCERA is committed to complying with the Americans with Disabilities Act. Attendees requiring accommodations should contact SDCERA’s Board Secretary, Teri Crocker, at 619-515-6809 at least 48 hours before the meeting to request special assistance.
Chair Tartre called the meeting to order at 9:01 a.m.

Roll Call.

**TRUSTEES PRESENT:**
- Richard Tartre, Chair
- Skip Murphy, Vice Chair
- David Gilmore, Secretary
- Samantha Begovich
- Bob Goodchild
- Thomas Hebrank
- Mark Hovey
- Dianne Jacob
- Dan McAllister
- Tim Hancock
- Susan Mallett

All Trustees attended via teleconference.

**STAFF PRESENT:**
- Steve Sexauer, Interim Chief Executive Officer
- Jim Lery, Chief Benefit Officer
- Brant Will, Chief Legal Officer

Approval of the July 16, 2020 Board Meeting Minutes.

Mr. Will stated that if there were no objections to approving the July 16, 2020 Board meeting minutes, the minutes could be approved by unanimous consent.

There were no objections and the July 16, 2020 Board meeting minutes were approved by unanimous consent.

Staff Reports.

A. Chief Benefits Officer’s Report. Jim Lery

Mr. Lery provided an update on IT upgrades in the Member Benefits division and reported on the positive results of increased IT support. He summarized Member Benefits' productivity and thanked Logically for their diligence in tackling IT challenges.

B. Chief Legal Officer’s Report. Brant Will

Mr. Will reported on the California Supreme Court's decision in *Alameda* to uphold the California Rule and changes to the PEPRA definition of "compensation earnable."
Consent Calendar.

Mr. Will explained that Mr. Hancock will vote on sub-item A in place of Mr. Gilmore.

A. Disability Application Approvals, Probation Department.

1. Member application of Carlos R. Jacinto for a Disability Retirement. Adopt Administrative Recommendation to grant a Service-Connected Disability Retirement.

2. Member application of Cary E. Milam for a Disability Retirement. Adopt Administrative Recommendation to grant a Service-Connected Disability Retirement.


ACTION: Motion by Richard Tartre, seconded by Skip Murphy, to approve the Probation Department Disability Applications.

The motion was approved by unanimous vote.

Ayes: Richard Tartre, Skip Murphy, Samantha Begovich, Bob Goodchild, Tim Hancock, Thomas Hebrank, Mark Hovey, Dianne Jacob, and Dan McAllister.

B. Disability Application Approvals.

1. Member application of Elsie G. Avalos for a Disability Retirement. Adopt Administrative Recommendation to grant a Service-Connected Disability Retirement.

2. Member application of Christina B. Lirio for a Disability Retirement. Adopt Administrative Recommendation to grant a Service-Connected Disability Retirement.

3. Member application of Jodel S. Tercenio for a Disability Retirement. Adopt Administrative Recommendation to grant a Nonservice-Connected Disability Retirement.


ACTION: Motion by Skip Murphy, seconded by Dianne Jacob, to approve the disability application approvals and July 2020 service retirement applications.

The motion was approved by unanimous vote.

Ayes: Richard Tartre, Skip Murphy, David Gilmore, Samantha Begovich, Bob Goodchild, Thomas Hebrank, Mark Hovey, Dianne Jacob, and Dan McAllister.
Disability Retirement Application Hearings. Hearing Officer Recommendations.

Member application of Noel A. Seefeldt for a Service-Connected Disability Retirement. Adopt Hearing Officer’s recommendation to deny a Service-Connected Disability Retirement.

Jennifer Creighton summarized the disability retirement application of Noel Seefeldt and the hearing officer's recommendation.

ACTION: Motion by Skip Murphy, seconded by David Gilmore, to approve the hearing officer's recommendation and deny the disability application of Noel Seefeldt.

The motion was approved by unanimous vote.

Ayes: Richard Tartre, Skip Murphy, David Gilmore, Samantha Begovich, Bob Goodchild, Thomas Hebrank, Mark Hovey, Dianne Jacob, and Dan McAllister.

Report from Audit Committee. Dan McAllister, Audit Committee Chair

Mr. McAllister reported that the Audit Committee reviewed and approved Brown Armstrong's engagement letters for the FY 2020 Independent Audit on Financial Statements and the GASB Statement No. 68 - Accounting and Financial Reporting for Pensions for the Fiscal Year Ended June 30, 2020. He reported the audit results of the GASB Statement No. 75 - OPEB Health Care Plan as an unqualified or clean opinion and that the information presented in the OPEB are fairly presented in all material respects. Mr. McAllister explained the GASBE audit identified discrepancies which will be addressed in future audit reports.

Mr. McAllister reported Moss Adams' results from the Retiree Benefit Payroll Internal Audit which showed good internal controls and processes in place and accurate retiree and vendor payments. He said the Moss Adams’ audit identified one process improvement opportunity related to recording health care insurance premium payments and recommended a process change. Staff agreed with the recommendations and changed the record keeping processes.

Review and Adoption of Amendments to Conflict of Interest Code. Brant Will, Chief Legal Officer.

Mr. Will presented the amendments to the Conflict of Interest Code and answered questions from the Board.

ACTION: Motion by Skip Murphy, seconded by Dan McAllister, to approve the amendments to the Conflict of Interest Code.

The motion was approved by unanimous vote.

Ayes: Richard Tartre, Skip Murphy, David Gilmore, Samantha Begovich, Bob Goodchild, Thomas Hebrank, Mark Hovey, Dianne Jacob, and Dan McAllister.

Review and Adoption of Restated Regulations of SDCERA. Brant Will, Chief Legal Officer.

Mr. Will presented the Restated Regulations of SDCERA.
ACTION: Motion by Skip Murphy, seconded by Dianne Jacob, to approve the restated regulations of SDCERA.

The motion was approved by unanimous vote.

Ayes: Richard Tartre, Skip Murphy, David Gilmore, Samantha Begovich, Bob Goodchild, Thomas Hebrank, Mark Hovey, Dianne Jacob, and Dan McAllister.

CEO Search Update. Steve Sexauer, Interim Chief Executive Officer

Mr. Sexauer provided an update from Alliance regarding the CEO search and summarized the next steps in the process.

The Board discussed the options for determining which candidates to select for interviews.

Mr. Sexauer agreed to request Alliance to provide a briefing book containing information on all 29 candidates, a list of the 12 to 15 most qualified candidates and 4 to 6 candidates recommended for interviews.

The Board discussed scheduling a special meeting to review and discuss the CEO candidates and agreed to schedule a special meeting to occur prior to the September regular Board meeting for discussion and a special meeting in October to occur prior to the regular Board meeting to conduct interviews.

Susan Mallett joined the meeting at 10:00 a.m.

Review and Adoption of Board Policy on Role of the Chief Executive Officer. Steve Sexauer, Interim Chief Executive Officer

Mr. Sexauer summarized the changes to the policy on the role of the Chief Executive Officer and answered questions from the Board.

ACTION: Motion by Skip Murphy, seconded by Dan McAllister, to approve the revised Policy on Role of the Chief Executive Officer.

The motion was approved by unanimous vote.

Ayes: Richard Tartre, Skip Murphy, David Gilmore, Samantha Begovich, Bob Goodchild, Thomas Hebrank, Mark Hovey, Dianne Jacob, and Dan McAllister.

Review and Adoption of Board Policies. Brant Will, Chief Legal Officer

A. HIPAA Privacy Policy and Privacy Certification

B. HIPAA Security Policy

Mr. Will summarized the HIPAA Privacy Policy and the HIPAA Security Policy and said the policies were reviewed against HIPAA requirements and it was determined no changes are needed.
ACTION: Motion by Richard Tartre, seconded by David Gilmore, to approve the HIPAA Privacy Policy and Privacy Certification and the HIPAA Security Policy.

The motion was approved by unanimous vote.

Ayes: Richard Tartre, Skip Murphy, David Gilmore, Samantha Begovich, Bob Goodchild, Thomas Hebrank, Mark Hovey, Dianne Jacob, and Dan McAllister.

Investment Division Reports. Steve Sexauer, Chief Investment Officer

A. CIO’s Staff Report.

Mr. Sexauer presented the CIO report.

B. CIO Markets Update.

Mr. Williams presented the Markets Report and answered questions from the Board.


Mr. Sexauer presented the Risk-Return Report and answered questions from the Board.

Quarterly Investment Review. Stephen Sexauer, Chief Investment Officer, Tom Williams, Assistant Chief Investment Officer, and Mike Comstock and Steve Voss, Aon Hewitt Investment Consulting.

Mike Comstock of Aon Hewitt Investment Consulting presented the Quarterly Investment Review and answered questions from the Board.

A. Executive Summary.

B. Quarterly Investment Report.

Quarterly Trust Fund Liquidity. Tom Williams, Assistant Chief Investment Officer

Mr. Williams presented the report on Quarterly Trust Fund Liquidity.

Investment Manager Fees. Tom Williams, Assistant Chief Investment Officer

Mr. Williams presented the report on Investment Manager Fees.

Future Agenda Items/Matters to be Referred to Staff.

Mr. McAllister asked Mr. Will to report at the next regular Board meeting on the amendment to Government Code section 54952.2, social media and the Brown Act.
Closed Session.


B. PUBLIC EMPLOYEE APPOINTMENT [Gov. Code §54957(b)]. Title: Chief of Operations.

The Board entered Closed Session at 11:32 a.m.

The Board returned from Closed Session at 12:04 p.m.

Report on Actions Taken in Closed Session.

Mr. Will stated there were no reportable actions taken by the Board in Closed Session.

Adjournment.

Chair Tartre adjourned the meeting at 12:05 p.m.

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Richard Tartre, Board Chair

______________________________
David Gilmore, Board Secretary
TAB 2
September 10, 2020

To: Board of Retirement

From: Jim Lery  
Chief Benefits Officer

Re: CHIEF BENEFITS OFFICER’S REPORT

I want to update you about organizational and staffing changes in the Member Benefits Division. The following is a breakdown of the business units within Member Benefits and the associated changes. In addition, an updated Member Benefits organizational chart is attached to my report.

I have filled the role of Assistant Director in Member Benefits. Based on the departmental needs, we added the Assistant Director position to the FY20 budget and recently completed the recruitment process. I was the last person to serve in this role in 2017.

I am pleased to welcome back Diana Rubio who was the unanimous selection of SDCERA’s hiring panel for the Assistant Director recruitment. Diana worked for SDCERA from 2000 to 2016 before leaving to pursue new opportunities within the County of San Diego in both the Health and Human Services Agency and the Department of Human Resources. Diana’s extensive SDCERA background and newly developed skills and experiences make her uniquely qualified for the Assistant Director position. She will be directly responsible for the Active, Retired and Beneficiary Benefits units. She will assist me with the day-to-day operations and key strategic projects within Member Benefits. Diana will be rejoining the team on September 25, 2020.

Business Systems Unit
The Business Systems Unit (BSU) has moved back to Member Benefits. BSU is responsible for SDCERA’s Pension Administration Systems: PROMiS, FileNet and FogBugz workflow management. BSU is also responsible for SDCERA member data quality control and Member Benefits process control. In addition, BSU is responsible for key PROMiS inputs and outputs including biweekly active payroll, monthly retiree payroll, monthly lump-sum payroll, semi-annual interest crediting, annual Form 1099-R generation, annual Cost-of-Living adjustments and annual Actuarial Valuation data files. We have two vacancies in BSU. We are planning to fill these vacancies with engineer level skills to support member data integrity and process control.
Active Benefits Unit
We had two members of the Active Benefits team leave SDCERA and I am pleased to announce that we are addressing both vacancies. We moved Felipe Ladron de Guevara from the Member Service Center to Active Benefits. In addition, we are finalizing a recruitment to bring in a new Member Services Associate to the team.

Retired Benefits Unit
We recently realigned the responsibilities for administering the Excess Benefit Plan, tax withholding updates and direct deposit changes from Finance to Member Benefits. To assist with this workload redistribution, we moved Yvonne Sanders from the Member Service Center to Retired Benefits.

Beneficiary Benefits Unit
The Beneficiary Benefits unit was created in 2017. Since its inception, we have been working to find the right staffing balance to meet the workload demands. The team originally consisted of five dedicated staff members. However, for the last two years we have operated the unit with two and a half full-time equivalent staff members. We determined that we need another full-time staff member dedicated to the team to meet the workload demands and added that position to the FY20 budget. As a result, we are finalizing a recruitment to bring in a new Member Services Associate to the team.

Member Service Center
Over the last year, we have had three vacancies in the Member Service Center and, as noted above, Felipe and Yvonne just moved from the Member Service Center to Active and Retired Benefits. We have addressed the majority of these vacancies. I would like to welcome Emir Balanzar and Chris Khem to the Member Service Center team. Emir joined SDCERA on August 14 from Wheelhouse Credit Union where she worked in customer service and Chris joined SDCERA on August 28 from Covance where he worked as a program specialist assisting customers. In addition to Emir and Chris, Kahei Inglis has joined the team and taken over as the Member Service Center supervisor. Lastly, Gloria Pereira will be joining the Member Service Center on October 9 from the Teachers’ Retirement System of the State of Illinois.
TAB 3
September 10, 2020

To: Board of Retirement

From: Sally Choi
Chief Financial Officer

Re: CHIEF FINANCIAL OFFICER’S REPORT

The Finance Team has closed the books for Fiscal Year 2020 (FY 20) and is working on the FY 20 Comprehensive Annual Financial Report (CAFR) and financial audit. SDCERA’s independent auditor Brown Armstrong continues to work on the FY 20 financial statement audit and will be perform its final field work during the week of October 5th.

Moss Adams is continuing work on the annual risk assessment and will be providing an update to the Audit Committee at the September 16th Audit Committee meeting.

The Finance team in partnership with Member Benefits has provided requested member data to Segal for the June 30, 2020 actuarial valuations and is responding to Segal’s data questions. Segal will present the final report at the December Board meeting.
September 10, 2020

To: Board of Retirement

From: Brant Will BW
Chief Legal Officer

Re: CHIEF LEGAL OFFICER’S REPORT

During the August Board of Retirement meeting, Trustee McAllister asked about Assembly Bill 992 (AB 992), which has been passed by the Legislature and is awaiting signature by the Governor, who has until the end of September to sign it into law.

The bill relates to the Brown Act and social media. Specifically, AB 922 makes clear that members of a legislative body are not prohibited from using social media platforms to answer questions, provide information to the public or solicit public input so long as the members do not discuss among themselves specific business that is within their jurisdiction. To that end, SDCERA Trustees would be prohibited from responding directly to other Trustees regarding social media posts that discuss matters within SDCERA’s jurisdiction. The bill also defines various terms used in the new provisions, which sunset on January 1, 2026.

We are still reviewing the compensation earnable issues raised by the Alameda decision. At this time we have not identified any pay components that violate PEPRA and we expect to complete our review this month.
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# SDCERA Service Retirements Processed

**August 2020**

<table>
<thead>
<tr>
<th>Name</th>
<th>Department</th>
<th>Membership</th>
<th>Plan Status</th>
<th>Retirement Date</th>
<th>Total Service</th>
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<td>Taylor, Jeffery L</td>
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<td>Ward, Samuel N</td>
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</table>

**Total Retirements Processed:** 71
TAB 6
September 10, 2020

To: Board of Retirement

From: Jim Lery
Chief Benefits Officer

Re: CALENDAR YEAR 2021 RETIREE HEALTH ADMINISTRATIVE FEE

As you know from past year’s approvals, the Internal Revenue Code prohibits the use of public pension plan assets to pay expenses associated with retiree health insurance benefits. As a result, SDCERA must account for all staff time and vendor expenses associated with our sponsorship of the Retiree Health Insurance Program (Health Program) and recoup these expenses from Health Program participants. The monthly administrative fee applies per participant for each plan in which they are enrolled.

The recommended calendar year 2021 Health Program administrative fee is $5.20, an increase of 4% compared to the 2020 fee of $5.00 (see attached table).

The administrative fee increase from 2020 to 2021 is driven by a more detailed accounting of SDCERA staff time allocated to the administration of the Health Program and the addition of costs associated with the annual Segal Health Valuation.

Attachment
<table>
<thead>
<tr>
<th>Retiree Health Insurance Program Costs</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Percentage Change 2020 - 2021</th>
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<tr>
<td>SDCERA</td>
<td>$218,839</td>
<td>$59,775</td>
<td>$92,639</td>
<td>55%</td>
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<tr>
<td>Segal - Health Valuation</td>
<td>$15,000</td>
<td>$5,000</td>
<td>$26,500</td>
<td>100%</td>
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<tr>
<td>Ice Miller - Legal</td>
<td>$96,000</td>
<td>$98,250</td>
<td>$5,000</td>
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<tr>
<td>Cheiron</td>
<td>$595,200</td>
<td>$585,600</td>
<td>$564,000</td>
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</tr>
<tr>
<td>Mercer Call Center &amp; Administration</td>
<td></td>
<td></td>
<td></td>
<td>-4%</td>
</tr>
<tr>
<td>Total</td>
<td>$925,039</td>
<td>$748,625</td>
<td>$784,139</td>
<td>5%</td>
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<tr>
<td>Less: Application of Fund Balance</td>
<td>$(102,000)</td>
<td>$(51,000)</td>
<td>$(49,408)</td>
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<tr>
<td>Net Costs</td>
<td>$823,039</td>
<td>$697,625</td>
<td>$734,731</td>
<td>5%</td>
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<tr>
<td>Reserve (5%)</td>
<td>$34,881</td>
<td></td>
<td></td>
<td>-100%</td>
</tr>
<tr>
<td>Costs to be recovered</td>
<td>$823,039</td>
<td>$732,506</td>
<td>$734,731</td>
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</tr>
<tr>
<td>Number of Participants</td>
<td>12,400</td>
<td>12,200</td>
<td>11,775</td>
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<tr>
<td>Annual Cost per Participant</td>
<td>$66.37</td>
<td>$60.04</td>
<td>$62.40</td>
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<tr>
<td>Monthly Cost per Participant (Administrative Fee)</td>
<td>$5.53</td>
<td>$5.00</td>
<td>$5.20</td>
<td>4%</td>
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</table>
TAB 7
September 10, 2020

To: Board of Retirement

From: Brant Will  
Chief Legal Officer

Re: Review and Approval of Proposed Revisions to the Vendor Selection Policy

I recommend the attached changes to the Vendor Selection Policy.

The revisions are intended to clarify the authority of the Chief Executive Officer (CEO) and the Board with respect to vendors not directly appointed by the Board.

For selecting vendors, the revised Policy would require the CEO to issue a request for proposals or other solicitation where the estimated annual cost of a contract is expected to exceed $200,000.

For executing contracts, the revised Policy would require the CEO to obtain Board approval where a contract is expected to exceed $100,000 annually and makes clear that this $100,000 threshold applies in situations where an individual vendor has multiple contracts with SDCERA.

Board approval would also be required when extending or renewing contracts where the extension or renewal would exceed $100,000 annually.

Finally, the revised Policy would require a separate schedule to be included in the SDCERA annual budget setting forth all contracts approved by the CEO or the Board.

Clean and marked copies of the Policy are attached to this report, as is a sample of the budget schedule.
SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
VENDOR SELECTION POLICY

I. PURPOSE

The Vendor Selection Policy establishes guidelines and authorities for the appointment of vendors by SDCERA.

II. VENDORS APPOINTED BY THE BOARD

A. The Board is responsible for appointing the following vendors:
   1. The actuarial consultant;
   2. The independent auditor;
   3. Fiduciary counsel;
   4. The general investment consultant; and
   5. The investment custodian.

B. The Chief Executive Officer will present a work plan to the Board containing a description of the selection process deemed most appropriate and cost effective in the circumstances, including:
   1. Whether a search consultant will be used;
   2. The due diligence efforts to be undertaken (for example, site visits and reference checks);
   3. Evaluation criteria; and
   4. What type of RFP, or other solicitation, will be used.

C. The Chief Executive Officer will provide the Board with periodic reports on the status of the selection process.

D. Upon completion of the analysis and due diligence involved in the selection process, the Chief Executive Officer will provide the Board with a list of candidates to be interviewed by the Board and a scoring tool and interview guide suggesting questions trustees may wish to ask candidates.

E. Prior to commencing interviews, all finalist candidates shall disclose in writing:
   1. Any personal or business relationship with any trustee, SDCERA staff member, or SDCERA vendor, or confirm that no such relationships exists; and
2. Any campaign contributions in excess of $250 made to any member of the Board of Retirement within the previous 12 months.

3. Candidates shall confirm that they have not paid and will not pay, directly or indirectly, any compensation to any SDCERA Board or staff member or any third party for purposes of obtaining an engagement with SDCERA.

F. The Board will institute a “quiet period” when it deems it in the best interest of SDCERA to require that, for a limited period of time, communications between trustees and candidates pursuant to this Section be restricted to board and committee meetings only. During quiet periods, trustees shall not communicate with candidates on matters pertaining to SDCERA, except during board or committee meetings. Trustees who need to communicate with such candidates for reasons unrelated to SDCERA business shall disclose such need in writing to the Chief Executive Officer and the Board prior to undertaking such communications. Disclosure to the Board shall be made at a meeting of the Board. If timely disclosure to the Board is not possible, the trustee shall disclose, in writing, the intended communication to the Chief Executive Officer and the Board Chair, or, if the trustee in question is the Chair, the Vice-Chair. The Chief Executive Officer shall distribute the written disclosure to the Board.

G. Contracts with Board-appointed vendors shall be for a term of up to five years with an option to extend the contract for an additional five year term. A selection process shall be conducted at least every 10 years for Board-appointed vendors. Contracts will include a provision permitting SDCERA to terminate without cause with sufficient written notice.

III. VENDORS APPOINTED BY THE CHIEF EXECUTIVE OFFICER

A. The Chief Executive Officer is solely responsible for appointing vendors other than vendors appointed by the Board. For purposes of this Policy, Vendor means any entity or individual that SDCERA contracts with to provide goods and services to SDCERA or on behalf of SDCERA.

B. Vendors appointed by the Chief Executive Officer will be selected and contracted with as follows:

1. The Chief Executive Officer may determine whether to sole source, select from a list of candidates pre-qualified by staff, or issue an RFP or other solicitation if the estimated annual cost of a contract (or multiple contracts with the same vendor) is $200,000 or less from the effective date of the contract;

2. The Chief Executive Officer will issue an RFP or other solicitation if the estimated annual cost of the contract is over $200,000;
3. The Chief Executive Officer will obtain Board approval before executing any contract if the estimated cost over a twelve month period exceeds $100,000;

4. If the combined cost of multiple contracts with one vendor for the same or similar services exceeds $100,000 over a twelve month period, the Chief Executive Officer will obtain Board approval before executing any contract with the vendor; and

5. The Chief Executive Officer will obtain Board approval before executing the extension or renewal of any contract where the extension or renewal will exceed $100,000 in a twelve-month period.

C. All SDCERA contracts approved by the Board or the CEO will be reported annually to the Board as a separate schedule as part of the annual SDCERA budget review and approval process.

D. Notwithstanding any other provision of this Policy, services provided by the County of San Diego (“County”), any County agency, services procured through contracts between the County and an outside vendor and services procured through other participating government agency contract terms, services or master pricing agreements may be approved by the Chief Executive Officer without issuing an RFP.

E. Where an RFP is issued, a copy of the RFP shall be provided to the Board.

IV. CONFLICTS OF INTEREST

A. Trustees, senior management, and investment staff shall not make personal investments that could reasonably be expected to create a conflict, as defined by State law, (Gov. Code §1090, §81000 et. seq.) between their private interests and their official duties or a conflict with their fiduciary duties under the California Constitution.

B. Trustees shall disclose to the Board any investment made with an investment manager of SDCERA, on behalf of themselves, a family member, business partner, or client. Such disclosure shall be made at the next board meeting after the investment is made.

C. Senior management and investment staff shall disclose to the Chief Executive Officer any investment made with an investment manager of SDCERA on behalf of themselves, a family member, business partner, or client. Such disclosure shall be made within 48 hours of making the investment. The Chief Executive Officer shall report such disclosures to the Board at its next meeting.

D. Trustees shall disclose to the Board any relationship with an existing or proposed vendor of SDCERA in which the trustee, a family member, business partner, or client has received, currently receives, or expects to receive, directly or indirectly, any financial remuneration from the vendor. Such disclosure shall be made at the next board meeting after the relationship is established. Similarly, senior management shall disclose any
relationships they have with a vendor of SDCERA to the Chief Executive Officer within 48 hours of the relationship being established; the Chief Executive Officer shall report such disclosures to the Board at its next meeting.

E. SDCERA will not retain for a period of 12 months following their separation from SDCERA service:
   1. Firms employing former SDCERA trustees or senior management; or
   2. Firms in which former SDCERA trustees or senior management directly or indirectly own a controlling interest.

V. MONITORING AND REPORTING

A. All Board-appointed vendors will be subject to regular performance monitoring by staff, and periodic reviews throughout the term of their contracts. Criteria for review may include performance, staff satisfaction, competitiveness of fees, and/or quality of reporting.
   1. The Chief Executive Officer will report annually to the Board on monitoring efforts involving Board-appointed vendors, identifying in a timely manner any material failures by vendors to comply with the terms of their contract or applicable guidelines, along with any actions taken by staff.
   2. All Board-appointed vendors shall be issued a letter each year by the Chief Legal Officer requiring that they disclose, in writing, all meetings and communications with any member of the Board outside board or committee meetings during the year. Vendors shall not be required to disclose normal social meetings or communications that may occur at conferences.

B. All other vendors will be subject to performance reviews by staff, as necessary and appropriate.

C. All monitoring and reporting provisions in this policy are minimum requirements. If more stringent requirements are established in other policies of SDCERA, such requirements will prevail.

REVIEW

This policy shall be reviewed by the Board at least every three (3) years and may be amended at any time.
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<th>Date</th>
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<tr>
<td>April 6, 2006</td>
<td>Revised, effective immediately</td>
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<td>December 3, 2009</td>
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<td>April 5, 2012</td>
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<td>December 3, 2015</td>
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</tr>
<tr>
<td>June 20, 2019</td>
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</table>
SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
VENDOR SELECTION POLICY

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The Vendor Selection Policy establishes guidelines and authorities for the appointment of vendors by SDCERA.

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   1. The actuarial consultant;
   2. The independent auditor;
   3. Fiduciary counsel;
   4. The general investment consultant; and
   5. The investment custodian.

B. The Chief Executive Officer will present a work plan to the Board containing a description of the selection process deemed most appropriate and cost effective in the circumstances, including:
   1. Whether a search consultant will be used;
   2. The due diligence efforts to be undertaken (for example, site visits and reference checks);
   3. Evaluation criteria; and
   4. What type of RFP, or other solicitation, will be used.

C. The Chief Executive Officer will provide the Board with periodic reports on the status of the selection process.

D. Upon completion of the analysis and due diligence involved in the selection process, the Chief Executive Officer will provide the Board with a list of candidates to be interviewed by the Board and a scoring tool and interview guide suggesting questions trustees may wish to ask candidates.

E. Prior to commencing interviews, all finalist candidates shall disclose in writing:
   1. Any personal or business relationship with any trustee, SDCERA staff member, or SDCERA vendor, or confirm that no such relationships exists; and
2. Any campaign contributions in excess of $250 made to any member of the Board of Retirement within the previous 12 months. Under Government Code section 84308, a “contribution” does not include a contribution for a Board of Retirement election.

3. Candidates shall confirm that they have not paid and will not pay, directly or indirectly, any compensation to any SDCERA Board or staff member or any third party for purposes of obtaining an engagement with SDCERA.

F. The Board will institute a “quiet period” when it deems it in the best interest of SDCERA to require that, for a limited period of time, communications between trustees and candidates pursuant to this Section be restricted to board and committee meetings only. During quiet periods, trustees shall not communicate with candidates on matters pertaining to SDCERA, except during board or committee meetings. Trustees who need to communicate with such candidates for reasons unrelated to SDCERA business shall disclose such need in writing to the Chief Executive Officer and the Board prior to undertaking such communications. Disclosure to the Board shall be made at a meeting of the Board. If timely disclosure to the Board is not possible, the trustee shall disclose, in writing, the intended communication to the Chief Executive Officer and the Board Chair, or, if the trustee in question is the Chair, the Vice-Chair. The Chief Executive Officer shall distribute the written disclosure to the Board.

G. Contracts with Board-appointed vendors shall be for a term of up to five years with an option to extend the contract for an additional five year term. A selection process shall be conducted at least every 10 years for Board-appointed vendors. Contracts will include a provision permitting SDCERA to terminate without cause with sufficient written notice.

III. VENDORS APPOINTED BY THE CHIEF EXECUTIVE OFFICER

A. The Chief Executive Officer is solely responsible for appointing vendors other than vendors appointed by the Board. The Chief Executive Officer shall inform the Board of appointments as an information item at the next Board meeting after any such appointments. Details to be provided to the Board include the name of the firm or individual hired the general scope of their contract, including the fee arrangement. For purposes of this Policy, Vendor means any entity or individual that SDCERA contracts with to provide goods and services to SDCERA or on behalf of SDCERA.

B. Vendors appointed by the Chief Executive Officer will be selected and contracted with as follows:

1. If the estimated annual cost of the contract is $200,000 or less, the Chief Executive Officer may determine whether to sole source, select from a list of candidates pre-
qualified by staff, or issue an RFP or other solicitation if the estimated annual cost of a contract (or multiple contracts with the same vendor) is $200,000 or less from the effective date of the contract:

2. If the estimated annual cost of the contract is over $200,000, the Chief Executive Officer will issue an RFP or other solicitation if the estimated annual cost of the contract is over $200,000:

3. The Chief Executive Officer will obtain Board approval before selecting the executing any contract if the estimated cost over a twelve month period exceeds $100,000.

4. If the combined cost of multiple contracts with one vendor for the same or similar services exceeds $100,000 over a twelve month period, the Chief Executive Officer will obtain Board approval before executing any contract with the vendor; and

5. The Chief Executive Officer will obtain Board approval before executing the extension or renewal of any contract where the extension or renewal will exceed $100,000 in a twelve-month period.

C. All SDCERA contracts approved by the Board or the CEO will be reported annually to the Board as a separate schedule as part of the annual SDCERA budget review and approval process.

D. Notwithstanding any other provision of this Policy, services provided by the County of San Diego (“County”), any County agency, services procured through contracts between the County and an outside vendor and services procured through other participating government agency contract terms, services or master pricing agreements may be approved by the Chief Executive Officer without issuing an RFP.

E. Where an RFP is issued, a copy of the RFP shall be provided to the Board.

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A. Trustees, senior management, and investment staff shall not make personal investments that could reasonably be expected to create a conflict, as defined by State law, (Gov. Code §1090, §81000 et. seq.) between their private interests and their official duties or a conflict with their fiduciary duties under the California Constitution.

B. Trustees shall disclose to the Board any investment made with an investment manager of SDCERA, on behalf of themselves, a family member, business partner, or client. Such disclosure shall be made at the next board meeting after the investment is made.

C. Senior management and investment staff shall disclose to the Chief Executive Officer any investment made with an investment manager of SDCERA on behalf of themselves, a family member, business partner, or client. Such disclosure shall be made within 48
hours of making the investment. The Chief Executive Officer shall report such disclosures to the Board at its next meeting.

D. Trustees shall disclose to the Board any relationship with an existing or proposed vendor of SDCERA in which the trustee, a family member, business partner, or client has received, currently receives, or expects to receive, directly or indirectly, any financial remuneration from the vendor. Such disclosure shall be made at the next board meeting after the relationship is established. Similarly, senior management shall disclose any relationships they have with a vendor of SDCERA to the Chief Executive Officer within 48 hours of the relationship being established; the Chief Executive Officer shall report such disclosures to the Board at its next meeting.

E. SDCERA will not retain for a period of 12 months following their separation from SDCERA service:

1. Firms employing former SDCERA trustees or senior management; or
2. Firms in which former SDCERA trustees or senior management directly or indirectly own a controlling interest.

V. MONITORING AND REPORTING

A. All Board-appointed vendors will be subject to regular performance monitoring by staff, and periodic reviews throughout the term of their contracts. Criteria for review may include performance, staff satisfaction, competitiveness of fees, and/or quality of reporting.

1. The Chief Executive Officer will report annually to the Board on monitoring efforts involving Board-appointed vendors, identifying in a timely manner any material failures by vendors to comply with the terms of their contract or applicable guidelines, along with any actions taken by staff.

2. All Board-appointed vendors shall be issued a letter each year by the Chief Legal Officer requiring that they disclose, in writing, all meetings and communications with any member of the Board outside board or committee meetings during the year. Vendors shall not be required to disclose normal social meetings or communications that may occur at conferences.

B. All other vendors will be subject to performance reviews by staff, as necessary and appropriate.

C. All monitoring and reporting provisions in this policy are minimum requirements. If more stringent requirements are established in other policies of SDCERA, such requirements will prevail.
**REVIEW**

This policy shall be reviewed by the Board at least every three (3) years and may be amended at any time.

**HISTORY**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1, 2004</td>
<td>Adopted, effective July 1, 2004</td>
</tr>
<tr>
<td>April 6, 2006</td>
<td>Revised, effective immediately</td>
</tr>
<tr>
<td>December 3, 2009</td>
<td>Reviewed</td>
</tr>
<tr>
<td>April 5, 2012</td>
<td>Revised, effective immediately</td>
</tr>
<tr>
<td>December 3, 2015</td>
<td>Revised, effective immediately</td>
</tr>
<tr>
<td>June 20, 2019</td>
<td>Revised, effective immediately</td>
</tr>
</tbody>
</table>
### 1. Board Appointed

<table>
<thead>
<tr>
<th>Vendor/Service Provider</th>
<th>Description/Services Provided</th>
<th>Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aon Hewitt Investment Consulting</td>
<td>General Investment Consulting Services</td>
<td>590,000</td>
</tr>
<tr>
<td>Albourne America LLC (in force until terminated)</td>
<td>Hedge Fund Consultant Services</td>
<td>360,000</td>
</tr>
<tr>
<td>Segal Consulting</td>
<td>Actuarial Services</td>
<td>195,000</td>
</tr>
<tr>
<td>The Bank Of New York Mellon</td>
<td>Custodial Banking Services</td>
<td>467,462</td>
</tr>
<tr>
<td>Brown Armstrong, CPAs</td>
<td>Financial Statement Audit Services</td>
<td>100,500</td>
</tr>
<tr>
<td>Moss Adams LLP (Indefinite)</td>
<td>Operational Audit Consulting Services</td>
<td>56,873</td>
</tr>
</tbody>
</table>

### 2. CEO Appointed

<table>
<thead>
<tr>
<th>Vendor/Service Provider</th>
<th>Description/Services Provided</th>
<th>Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDCO Rio San Diego Plaza II, Inc. (SDCERA office space rent)</td>
<td>Facilities Lease</td>
<td>1,436,138</td>
</tr>
<tr>
<td>Mercer Health &amp; Benefits Administration LLC</td>
<td>Retiree Health Care Program Administrative Svcs</td>
<td>564,000</td>
</tr>
<tr>
<td>ADP, Inc.</td>
<td>Document Printing Services</td>
<td>216,000</td>
</tr>
<tr>
<td>Logically</td>
<td>IT Assessment and Roadmap</td>
<td>12,060</td>
</tr>
<tr>
<td>Logically</td>
<td>One Time Onboarding</td>
<td>39,500</td>
</tr>
<tr>
<td>Logically</td>
<td>Ongoing IT Services</td>
<td>118,561</td>
</tr>
<tr>
<td>Logically</td>
<td>Onsite IT Support</td>
<td>19,200</td>
</tr>
<tr>
<td>Logically</td>
<td>Backup &amp; Data Protection</td>
<td>25,821</td>
</tr>
<tr>
<td>Logically</td>
<td>Server Operating System Migration</td>
<td>70,823</td>
</tr>
<tr>
<td>Logically</td>
<td>IT Modernization-Desktop</td>
<td>38,833</td>
</tr>
<tr>
<td>Logically</td>
<td>IT Modernization-Network System</td>
<td>90,111</td>
</tr>
<tr>
<td>Logically</td>
<td>IT Modernization-Data Protection &amp; Disaster Recovery</td>
<td>991</td>
</tr>
<tr>
<td>Logically</td>
<td>IT Modernization-Server</td>
<td>214,126</td>
</tr>
<tr>
<td>Logically</td>
<td>Business Continuity Plan (BCP) Support &amp; Mgmt.</td>
<td>29,465</td>
</tr>
<tr>
<td>CPAS Systems Inc.</td>
<td>Software Support Services</td>
<td>116,000</td>
</tr>
<tr>
<td>Cheiron Inc. (Per Legal review every 5 yrs)</td>
<td>Healthcare Consulting</td>
<td>96,000</td>
</tr>
<tr>
<td>CPAS Systems Inc.</td>
<td>Software License &amp; Maintenance</td>
<td>70,500</td>
</tr>
<tr>
<td>Robert L. Wilson Jr.</td>
<td>Financial and Accounting consulting services</td>
<td>50,000</td>
</tr>
<tr>
<td>Softech &amp; Associates, Inc.</td>
<td>3rd party Application &amp; IBM FileNet software</td>
<td>33,176</td>
</tr>
<tr>
<td>Xerox</td>
<td>Copy machines</td>
<td>30,000</td>
</tr>
<tr>
<td>Pension Benefit Information, LLC</td>
<td>Death database</td>
<td>11,111</td>
</tr>
<tr>
<td>Sungard Availability Services</td>
<td>Disaster Recovery Services</td>
<td>49,083</td>
</tr>
<tr>
<td>Abacus Data Systems, Inc.</td>
<td>Software Subscription Agreement</td>
<td>7,476</td>
</tr>
<tr>
<td>Western AV</td>
<td>Upgrade audio and visual equipment</td>
<td>5,104</td>
</tr>
<tr>
<td>The Plantry</td>
<td>Interior plant maintenance (Mbusse folder)</td>
<td>2,640</td>
</tr>
<tr>
<td>NAVEX Global (formerly The Network Inc. (indefinite)</td>
<td>AED/PAD Program</td>
<td>70</td>
</tr>
<tr>
<td>San Diego Fire-Rescue Department</td>
<td></td>
<td>75</td>
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### 3. On-going CEO appointed professional Services

**Various Fees**

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Description/Services Provided</th>
<th>Fee ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC Specialists, Inc (TIG)</td>
<td>Assist SDCERA’s audit committee to establish best practices</td>
<td>$120/hr</td>
</tr>
<tr>
<td>Lori Smith, USC Professor and CPA</td>
<td>Portfolio Perf. &amp; Risk Mgmt Consulting Svcs</td>
<td>$120/hr</td>
</tr>
<tr>
<td>Duane E. Bennett</td>
<td>Hearing Officer</td>
<td>$225/hr</td>
</tr>
<tr>
<td>Christopher M. Harnett Attorney at Law</td>
<td>Hearing Officer</td>
<td>$225/hr</td>
</tr>
<tr>
<td>Nancy T. Beardsley</td>
<td>Hearing Officer</td>
<td>$225/hr</td>
</tr>
<tr>
<td>Barbara Kong-Brown Esq.</td>
<td>Hearing Officer</td>
<td>$225/hr</td>
</tr>
<tr>
<td>John L. Rosenthal</td>
<td>Hearing Officer</td>
<td>$225/hr</td>
</tr>
<tr>
<td>Robert M. Snider</td>
<td>Hearing Officer</td>
<td>$225/hr</td>
</tr>
<tr>
<td>Winet Patrick Gayer Creighton &amp; Hanes (Indefinite)</td>
<td></td>
<td>$180 p/hr</td>
</tr>
</tbody>
</table>
TAB 8
September 10, 2020

To: Board of Retirement

From: Stephen Sexauer  
Chief Investment Officer

Re: CHIEF INVESTMENT OFFICER’S REPORT

In August staff had calls with Oaktree, PIMCO, Albourne, Ascentris, Allianz, Public Pension Capital, Aon Hewitt and Macquarie.

Portfolio returns, performance attribution, and the illusion of precision.

“Are you winning or losing? Why? Performance measurement will answer the first question. Performance analysis (attribution) can help provide to answer the second. A sophisticated performance analysis system can provide valuable feedback …”

This quote begins the chapter on performance analysis in what is arguably the defining book on active portfolio management: *Active Portfolio Management* by Richard C. Grinold and Ronald N. Kahn, written in 1995. The measurement of portfolio risk and return that began with Nobel Prize winners Harry Markowitz and William Sharpe expanded to include a subspecialty called “performance measurement and attribution”. This corpus of work enabled the industry to evolve from imprecise measurement standards, such as “don’t lose money … do a good job … beat the market,” to a systematic approach based on modern portfolio theory, repeatable calculations, and accepted industry standards.

Today, the CFA Institute offers a sophisticated program of study that leads to the professional credential of Certificate in Investment Performance Measurement (CIPM). One of the study topics is the calculation of a single number, the difference between a portfolio return and the benchmark return—a value added measure commonly called portfolio alpha. But the precision and clarity of this single number rapidly fades as calculations are applied to decompose the number further into more categories to explain what decisions and events drove the performance.

While the rules for performance attribution calculations are precise and repeatable, there is an illusion of precision that a single number can be precisely decomposed into more and more categories. It cannot. Performance attribution can only provide valuable feedback—feedback that itself is hard to understand and demands a level of expertise.

Each quarter during SDCERA’s deep-dive quarterly reviews, AON reviews their calculation of performance attribution. A common result during and after these presentations is a series of questions that Trustees often ask, and ask for good reason: What exactly is the allocation effect? What is the
timing and interaction effect, and why does it exist? What is the market timing effect? How are inter-period cash flows handled, especially large ones like the County of San Diego’s annual pension contribution? Why are private assets, whose true values are only known when they are sold, measured by three different performance measures, and why are these measures then compared each month to a benchmark of liquid public securities?

As part of SDCERA’s continuing education program, we plan to address these questions. In August 2016 we covered “Measuring Performance” and in November 2016 we covered “All About Risk”—both of which are helpful to understanding performance measurement. We will include a brief review of these previous topics when we cover performance measurement and attribution.

**Update on Continuing Education**

The following list is the schedule of investment-related continuing education topics that are currently planned. The topics include input from Trustees as well as topics connected to emerging themes in the markets.

1. The Actuarial Rate of Return: fiduciary responsibilities, counterparty risk, and setting the rate. This will be taught by SDCERA’s fiduciary counsel, actuary, and auditor.

2. Real Estate in the time of COVID-19

3. Performance Attribution

4. Fixed Income risk and return analysis

Currently, all Board members are up to date on Continuing Education requirements. In the age of COVID-19, we have not scheduled the traditional in-person Board education retreats, and with most of us experiencing “Zoom-call fatigue,” we have not yet scheduled a long Zoom call or a series of short ones to cover these topics.

The investment staff is prepared to move forward on the topics above at the Board’s direction.
TAB 9
CIO Markets Report

• Key Observations
• Implications
• Markets Charts
Key Observations and Implications

Real Estate During the Time of COVID-19: The Good, the Bad and the Ugly. The COVID-19 pandemic and the associated lockdown economics have delivered an enormous economic shock—one so large it is a “crisis” by any historical measure. Commercial real estate has been impacted and the effects have been very asymmetric. Some sectors have been stronger while others, like malls and hotels, have been severely affected. In addition, the COVID-19-related behavioral changes and lockdown economics have accelerated what were already existing long-term trends, especially in retailing and telework. The following is an update on each on the four major sectors of the NCREIF-ODCE National Property Index: Office, Retail, Multifamily and Industrial.

Good. Industrial properties have fared the best during COVID–19, especially those connected to the shift from in-store to online shopping. The acceleration of the existing trend to online shopping has pushed up the demand for warehouses and distribution centers to store and ship goods. In addition, the reshoring of U.S. manufacturing, especially key medical and technology products, has increased the demand for sophisticated U.S.-based laboratory and manufacturing facilities.

Multifamily housing has experienced challenges, as many furloughed or laid-off workers have been unable to pay rent. At the same time, state and local governments have enacted moratoriums on evictions. This has created a stalemate that will cause a drop in the value of the properties. Longer-term, Multifamily should recover with the post-COVID-19 economy, because people will still need shelter. There may also be asymmetric outcomes between regions and within regions if the current trends of people moving out of high-density cities into the suburbs and moving from high-tax-rate to low-tax-rate states continue.

Bad. Many Office properties have been largely empty since the lockdown orders went into effect in March 2020. While overall national rent collections have been robust, with collection rates over 90%, the long-term effect for the Office sector could be a shift towards more remote work, which had already been occurring prior to COVID-19. Companies may decide they need less space, and there could also be a shift from central business district offices to suburban offices, particularly if employees do migrate into the suburbs. Building owners may also need to perform costly retrofits to existing office buildings, such as touchless doors and faucets and enhanced HVAC systems designed to lessen the spread of communicable disease among occupants.

Ugly. Retail has been hardest hit by the COVID-19 pandemic, with many retailers filing for bankruptcy since March. This includes retailers like J.C. Penney and Brooks Brothers (Chart 1). The move to online shopping is an acceleration of what has been a downward trend for malls and shopping centers. The bright spots have been shopping centers anchored by necessity-based retailers, such as grocery stores and pharmacies.

Implications. The Trust Fund’s real estate portfolio is well-diversified, and it is underweight the most negatively-affected real estate regions and sectors. Total rent collections have been strong, with over 90% of rents collected in August. We will work with our investment managers to make opportunistic investments where we can prudently earn over 7% by being a supplier of liquidity during the COVID-19-related resetting of valuations.
Chart 1
Retail Bankruptcies Have Accelerated Due to COVID-19 Economic Lockdown

Source: Bloomberg
TAB 10
AGENDA ITEM 12.C: RISK-RETURN REPORT

MATERIAL FOR THIS AGENDA ITEM WILL BE PROVIDED ELECTRONICALLY PRIOR TO THE BOARD MEETING.
REQUEST PENDING APPROVAL:

<table>
<thead>
<tr>
<th>DATE</th>
<th>NAME/LOCATION OF SEMINAR &amp; CONFERENCE</th>
<th>BOARD MEMBER</th>
<th>BOARD MEMBER TRAINING HOURS</th>
</tr>
</thead>
<tbody>
<tr>
<td>None.</td>
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<td></td>
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APPROVED:

<table>
<thead>
<tr>
<th>NAME/LOCATION OF SEMINAR &amp; CONFERENCE</th>
<th>BOARD MEMBER</th>
<th>APPROVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>None.</td>
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</table>
TAB 12
# SDCERA Participants

As of August 31, 2020

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Safety</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Active Members</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier I</td>
<td>16</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>Tier A</td>
<td>6,296</td>
<td>1,736</td>
<td>8,032</td>
</tr>
<tr>
<td>Tier B</td>
<td>1,402</td>
<td>454</td>
<td>1,856</td>
</tr>
<tr>
<td>Tier C</td>
<td>4,561</td>
<td>1,262</td>
<td>5,823</td>
</tr>
<tr>
<td>Tier D</td>
<td>2,702</td>
<td>0</td>
<td>2,702</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,977</td>
<td>3,452</td>
<td>18,429</td>
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<table>
<thead>
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<th></th>
<th>General</th>
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<th>Total</th>
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</thead>
<tbody>
<tr>
<td><strong>Deferred Members</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonvested</td>
<td>2,682</td>
<td>246</td>
<td>2,928</td>
</tr>
<tr>
<td>Nonvested Reciprocal</td>
<td>506</td>
<td>112</td>
<td>618</td>
</tr>
<tr>
<td>Vested</td>
<td>1,920</td>
<td>234</td>
<td>2,154</td>
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<tr>
<td>Vested Reciprocal</td>
<td>440</td>
<td>68</td>
<td>508</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,548</td>
<td>660</td>
<td>6,208</td>
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<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Retired Members</strong></td>
<td></td>
<td></td>
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<tr>
<td>Tier I</td>
<td>3,599</td>
<td>265</td>
<td>3,864</td>
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<tr>
<td>Tier II</td>
<td>1,029</td>
<td>245</td>
<td>1,274</td>
</tr>
<tr>
<td>Tier A</td>
<td>9,902</td>
<td>2,633</td>
<td>12,535</td>
</tr>
<tr>
<td>Tier B</td>
<td>54</td>
<td>8</td>
<td>62</td>
</tr>
<tr>
<td>Tier C</td>
<td>40</td>
<td>15</td>
<td>55</td>
</tr>
<tr>
<td>Tier D</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,624</td>
<td>3,166</td>
<td>17,790</td>
</tr>
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</table>

**TOTAL MEMBERS**

42,427

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nonmembers and Beneficiaries</strong></td>
<td></td>
</tr>
<tr>
<td>Deferred Nonmember Former Spouses</td>
<td>79</td>
</tr>
<tr>
<td>Retired Nonmember Former Spouses</td>
<td>490</td>
</tr>
<tr>
<td>Beneficiaries in Payment</td>
<td>1,948</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,517</td>
</tr>
</tbody>
</table>

**TOTAL SDCERA PARTICIPANTS**

44,944
TAB 13
State Legislation. The legislative measures listed below were introduced during the 2019-2020 calendar session and may have an impact on public pension plans governed by the County Employees’ Retirement Law of 1937 (CERL), Public Employees’ Pension Reform Act of 2013 (PEPRA) and other pension related subjects.

California Legislative Calendar 2020

Important Dates Occurring During Final Recess:
- Sept. 30: Last day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in the Governor's possession on or after Sept. 1.
- Oct. 1: Bills enacted on or before this date take effect January 1, 2021.
- Nov. 3: General Election.

2021
- Jan. 1: Statutes take effect

Enrolled Legislation pending Governor’s Signature

AB 992 Mullen. Open meetings: Local agencies: social media (Brown Act)

 Amend: Government Code section 54952.2
 Status: Passed in Assembly and Senate; Enrolled as of August 31, 2020

This bill creates a new exception to a prohibition in the Ralph M. Brown Act (Brown Act) against serial communications by a majority of a local legislative body's members if they are using social media.

This bill: 1) Provides that the Brown Act’s prohibition on serial communications shall not be construed to prevent a member of a local agency’s legislative body from engaging in communications on an internet-based social media platform to answer questions, provide information to the public, or solicit information from the public regarding matters in its jurisdiction provided that members do not discuss among themselves business of a specific nature within their jurisdiction.

2) Prohibits members of a legislative body from responding directly to any communication on an Internet-based social media platform regarding a matter within their subject matter jurisdiction from another member of the legislative body.

3) Defines “discuss among themselves” to mean communications made, posted, or shared on an Internet-based social media platform between members of a legislative body, including comments or use of digital icons made by other members.

4) Defines “internet-based social media platform” to mean an online service that is open and accessible to the public.
5) Defines “open and accessible to the public” to mean the members of the general public have the ability to access and participate on the platform without approval by the platform or any other person, including any forum and chatroom, and cannot be blocked from doing so, except when the platform determines that an individual violated its protocols or rules.

6) Repeals its provisions on January 1, 2026.

7) Includes findings and declarations that this bill imposes a limitation on the public’s right of access to public meetings. Pursuant to Section 3 of Article 1 of the California Constitution, this bill states this limitation is necessary to ensure the free flow of communication between the members of a legislative body and the public

**AB 1945 Salas. Emergency services; first responders**

**Amend:** Government Code section 8562  
**Status:** Passed by Assembly and Senate; Enrolled as of September 1, 2020

This bill defines “first responder” as an employee of the state or a local public agency who provides emergency response services, including a peace officer, firefighter, paramedic, emergency medical technician, public safety dispatcher, or public safety telecommunicator.

By definition of first responder in this bill does not confer a right to, or entitlement upon, an employee or prospective employee to obtain a retirement benefit formula for an employment classification that is not included in, or is expressly excluded from, that formula, as specified.

The bill would prohibit an employer from offering, or indicating an ability to offer to an employee or prospective employee a retirement benefit formula for an employment classification that is not included in, or is expressly excluded from, that formula because of the definition of “first responder.”

**Pending Legislation**

**AB 2093 Gloria. Public Records: Writing transmitted by electronic mail: retention**

**Add:** Government Code section 6253.22  
**Status:** Do not Pass; Referred to Committee on Judicial, as of March 10, 2020

Requires a public agency to retain and preserve for at least two years every writing containing information relating to the conduct of the public's business that is prepared, owned, or used by the public agency and transmitted by electronic mail, unless a statute or regulation, or a rule established by the Secretary of State pursuant to the State Records Management Act, requires a longer retention period.

**Amend:** An act to add and repeal Article 3 (commencing with Section 6276.50) of Chapter 3.5 of Division 7 of, and to add Division 10 (commencing with Section 7920.000) to, Title 1 of the Government Code, relating to public records.

**Status:** Referred to Committee on Judicial, as of May 5, 2020

This bill would recodify and reorganize the provisions of the act. The bill would include provisions to govern the effect of recodification and state that the bill is intended to be entirely non-substantive in effect. The bill would contain related legislative findings and declarations. The bill would become operative on January 1, 2022.

**AB 2438** Chau. California Public Records Act: conforming revisions

**Amend:** Various statutes covering PRA provision requiring conforming and technical changes.

**Status:** In committee: Set, first hearing. Hearing canceled at the request, as of May 4, 2020

This bill would enact various conforming and technical changes related to another bill that recodifies and reorganizes the California Public Records Act. The bill would only become operative if the related bill recodifying the act is enacted and becomes operative on January 1, 2022. The bill would also specify that any other bill enacted by the Legislature during the 2020 calendar year that takes effect on or before January 1, 2022, and that affects a provision of this bill shall prevail over this act, except as specified.

**AB 2937** Fong. CERL: Non-Service-Connected Disability Retirement

**Amend:** Government Code sections 31726, 31726.5 and 31838

**Status:** Referred to Committee on Public Employment and Retirement, as of March 5, 2020

This bill would create an optional provision, to be elected by a county board of supervisors by resolution adopted by majority vote that would remove the retirement board’s assessment regarding the intemperate use of alcoholic liquor or drugs as a condition on the purchase of a disability retirement pension by county or district contributions.

**AB 3249** Fong. Public Retirement: Controller: annual report

**Amend:** Government code section 7504, relating to public retirement.

**Status:** Referred to Committee on Public Employment and Retirement, as of March 9, 2020

Local public retirement systems are required to submit audited financial statements to the Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year, and requires the Controller, within 12 months of receipt of the information, to compile and publish a report on the financial condition of all local public retirement systems.

This bill would additionally require the Controller to post the report on the financial condition of all state and local public retirement systems on the Controller’s internet website.
**SB 783** Committee on Public Employment and Retirement: CERL of 1937  
This is a SACRS sponsored Bill.

**Amend:** Government Codes Sections 31465, 31627.1, 31627.2 and 31631.5  
**Status:** Referred to Committee on Public Employment and Retirement, as of May 16, 2019

This bill makes technical, non-substantive amendments to the Government Code to eliminate erroneous and obsolete code references in portions of CERL.

Deletes obsolete references to repealed GC Section 31504. The Section dates back to the 1950’s and treated certain contributions transferred from superseded retirement system as additional contributions.

Corrects an erroneous reference in the statute permitting ‘37 Act employers to require members to pay 50 percent of normal rates as specified. This bill changes the reference from non-existent GC Section 21639 to the correct reference, GC Section 31639, which relates to calculating the normal cost of safety members’ contributions.

**SB 931** Wieckowski. Local Government Meetings: agenda and documents

**Amend:** Government Code section 54954.1  
**Status:** From committee with author's amendments. Read second time and amended. Re-referred to Committee on Governance and Finance, as of April 2, 2020

This bill would require a legislative body to email a copy of the agenda or a copy of all the documents constituting the agenda packet if so requested. By requiring local agencies to comply with these provisions, this bill would impose a state-mandated local program.

**SB 1297** Moorlach. Public Employees Retirement

**Add:** Government Code sections 7522.03 (PEPRA) and 20792 (PERL)  
**Status:** Referred to Labor, Public Employment and Retirement, as of March 5, 2020

This bill would revise the provision of pension and other benefits to members of all state or local public retirement systems. The bill would apply its provisions prospectively to any member of a state or local public retirement system who is employed upon the date of its enactment and to any person who may be employed and become a member thereafter.

The bill would void any limit on a pension that prohibits the pension from exceeding a percentage of final compensation, as specified.

The bill would prohibit a local entity from establishing a deferred retirement option program, as described, and if a local entity has established a deferred retirement option program, whether or not the program is closed to new participants, it would be required to dis-enroll any participating employees and close the program.
With regard to any member of a state or local public retirement system, the bill would require that final annual compensation used for purposes of ascertaining any pension or benefit be calculated as an average of the member’s 3 highest earning years. The bill would prohibit, for any method of calculating a pension that is based on fractional percentage of final compensation multiplied by years of service with respect to a particular age at retirement, that fractional percentage from exceeding 2.7%.

The bill would include findings that changes proposed by this bill address a matter of statewide concern rather than a municipal affair and, therefore, apply to all cities, including charter cities.