



# San Joaquin County Employees Retirement Association

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## A G E N D A

**BOARD MEETING  
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
BOARD OF RETIREMENT  
FRIDAY, JULY 9, 2021  
AT 9:00 AM  
Location: Via Zoom**

In accordance with current state and local emergency proclamations and orders, this Board Meeting will be held virtually via Zoom Client.

The public may only attend the meeting by (1) clicking here <https://us02web.zoom.us/j/81657784568> and following the prompts to enter your name and email, or (2) calling (669) 219-2599 or (669) 900-9128 and entering Meeting ID [81657784568#](https://us02web.zoom.us/j/81657784568)

Persons who require disability-related accommodations should contact SJCERA at (209) 468-9950 or [KendraF@sjcera.org](mailto:KendraF@sjcera.org) at least forty-eight (48) hours prior to the scheduled meeting time.

### 1.0 ROLL CALL

### 2.0 PLEDGE OF ALLEGIANCE

### 3.0 APPROVAL OF MINUTES

- |      |  |    |
|------|--|----|
| 3.01 | Approval of the minutes for the Board Meeting of June 4, 2021                    | 5  |
| 3.02 | Approval of the minutes for the Administrative Committee Meeting of June 9, 2021 | 9  |
| 3.03 | Approval of the Amended Minutes for the Board Meeting of May 7, 2021             | 12 |
| 3.04 | Board to approve minutes   |    |

### 4.0 PUBLIC COMMENT

- 4.01 Follow the steps below to address the Board of Retirement. Speakers are limited to three minutes, and are expected to be civil and courteous.

If joining via Zoom, Public Comment can be made in the following ways:

PC or Mac: select "Participants" in the toolbar at the bottom of your screen, then select the option to raise or lower your hand.

Mobile Device: select the "More" option in the toolbar at the bottom of your screen, then select the option to raise or lower your hand.

Tablet: select the icon labeled "Participants," typically located at the top right of your screen, then select the hand icon next to your device in the Participants column.

If dialing in from a phone for audio only, dial \*9 to "raise your hand."

Except as otherwise permitted by the Ralph M. Brown Act (California Government Code Sections 54950 et seq.), no deliberation, discussion or action may be taken by the Board on items not listed on the agenda. Members of the Board may, but are not required to: (1) briefly respond to statements made or questions posed by persons addressing the Board; (2) ask a brief question for clarification; or (3) refer the matter to staff for further information.

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# San Joaquin County Employees Retirement Association

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## MINUTES

**BOARD MEETING  
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
BOARD OF RETIREMENT  
FRIDAY, JUNE 4, 2021  
AT 9:00 AM  
Location: Via Zoom**

### 1.0 ROLL CALL

- 1.01 MEMBERS PRESENT:** Phonxay Keokham, Jennifer Goodman, Michael Duffy, Chanda Bassett, Adrian Van Houten, Margo Praus, Raymond McCray (left at 9:01am and returned at 9:03 am), and Michael Restuccia presiding  
**MEMBERS ABSENT:** Emily Nicholas and Katherine Miller  
**STAFF PRESENT:** Chief Executive Officer Johanna Shick, Assistant Chief Executive Officer Kathy Herman, Retirement Investment Officer Paris Ba, Financial Officer Carmen Murillo, Management Analyst III Greg Frank, Department Information Systems Analyst II Lolo Garza, Information Systems Analyst II Jordan Regevig, and Administrative Secretary Kendra Fenner  
**OTHERS PRESENT:** Deputy County Counsel Jason Morrish, David Sancewich of Meketa Investment Group

### 2.0 PLEDGE OF ALLEGIANCE

- 2.01** Led by Michael Restuccia

### 3.0 APPROVAL OF MINUTES

- 3.01** Approval of the minutes for the Board Meeting of May 7, 2021  
**3.02** Approval of the minutes for the Audit Committee Meeting of May 20, 2021  
**3.03** **The Board voted unanimously (7-0) to approve the Minutes of the Board Meeting of May 7, 2021 and the Audit Committee Meeting of May 20, 2021. (Motion: Duffy; Second: McCray)**

### 4.0 PUBLIC COMMENT

- 4.01** There was no public comment.

### 5.0 CONSENT ITEMS

- 5.01** Service Retirement (19)  
**5.02** **The Board voted unanimously (7-0) to approve the Consent Items. (Motion: Bassett; Second: Van Houten)**

### 6.0 FINANCIAL REPORTS FOR YEAR ENDING DECEMBER 31, 2020

- 6.01** Report to the Board of Retirement by Brown Armstrong Accountancy Corporation  
**6.02** Annual Financial Report - December 31, 2020

**6.03 The Board voted unanimously (7-0) to accept and approve the Report to the Board of Retirement and the Annual Financial Report for the Year Ended December 31, 2020. (Motion: Keokham; Second: Van Houten)**

**7.0 CONSULTANT REPORTS PRESENTED BY DAVID SANCEWICH OF MEKETA INVESTMENT GROUP**

**7.01 QUARTERLY REPORTS FROM INVESTMENT CONSULTANT FOR PERIOD ENDED MARCH 31, 2021**

01 Quarterly Investment Performance Analysis

02 Manager Certification Report

03 Manager Review Schedule

04 David Sancewich of Meketa Investment Group will review and discuss the reports

**05 Board received and filed reports**

**7.02 Monthly Investment Performance Updates**

01 Manager Performance Flash Report - April 2021

02 Capital Markets Outlook and Risk Metrics - May 2021

**03 Board received and filed reports**

**8.0 BLOCKCHAIN TECHNOLOGY EDUCATION SESSION**

**8.01 Presentation by David Sancewich of Meketa Investment Group**

**8.02 Board received and filed presentation and directed staff to provide additional education and information at a subsequent Board meeting.**

**9.0 FIXED INCOME MANAGER SEARCH UPDATE**

**9.01 Presentation by David Sancewich of Meketa Investment Group**

**10.0 STAFF REPORTS**

**10.01 Legislative Summary Report**

**10.02 Trustee and Executive Staff Travel**

01 Conferences and Events Schedule for 2021

02 Summary of Pending Trustee and Executive Staff Travel

03 Summary of Completed Trustee and Executive Staff Travel

**10.03 CEO Report**

In addition to the written report, CEO Shick made the following comments: (1) SJCERA now has a signed contract with LineaSecure to perform SJCERA's cyber-security audit; (2) SJCERA's financial reports will be presented at the June 8, 2021 Board of Supervisors meeting and CEO Shick reached out to each Supervisor to offer an individual briefing in advance of the meeting. (3) Accounting Technician II, Stephanie Conner, has accepted a great opportunity with the County, and CEO Shick thanked her for 14 years of service to SJCERA and wished her well; (4) The action plan update documents SJCERA's accomplishments in the first five months of the year. CEO Shick praised staff for their achievements, while still accomplishing the core mission of servicing members and paying benefits on time, noting the results are particularly impressive in light of increased workload and the percentage of staff who are new in position due to various retirements and promotions.

01 Action Plan Update

- 10.04 Board received and filed reports and there were no new travel requests to approve**

**11.0 CORRESPONDENCE**

**11.01 Letters Received**

**11.02 Letters Sent**

**11.03 Market Commentary/Newsletters/Articles**

01 Meketa Inflation: Is It Coming and Should We Care May 2021

**12.0 COMMENTS**

- 12.01** Trustee Praus thanked the SJCERA staff for all they have been doing. She acknowledged the staff has been running on full speed.
- 12.02** Trustee Duffy stated he is impressed with the tenacity of SJCERA staff and echoes the comments of Trustee Praus.
- 12.03** Chair Restuccia announced today will be the last day Trustee Praus and Trustee Van Houten will be with us. Chair Restuccia expressed his appreciation to Trustee Van Houten for all of his help and he has enjoyed serving with him. Chair Restuccia stated Trustee Praus has been an inspiration, will be missed and appreciates her friendship.
- 12.04** Trustee Goodman stated it was a joy reconnecting with Trustee Van Houten and Trustee Goodman always enjoyed her conversations with Trustee Praus.
- 12.05** Trustee Bassett wished Trustee Praus well and enjoy your second or third retirement.
- 12.06** Trustee Keokham stated he appreciates Trustee Van Houten attention to detail and wishes him well.
- 12.07** CEO Shick stated Trustee Praus was often the voice of the member and this is a very important perspective. CEO Shick thanked Trustee Praus for taking on this role. CEO Shick stated Trustee Van Houten would be remembered for his contributions on the Audit Committee and at Board meetings.
- 12.08** Trustee Praus thanked everyone for their kind words. Stated she valued each of the other Trustees and staff, in particular Trustee Van Houten for representing the retired members. Trustee Praus thanked everyone, stated take care and be safe.
- 12.09** Trustee Van Houten stated it was a pleasure working with everyone and wished everyone the best.

**13.0 CLOSED SESSION**

**13.01 PURCHASE OR SALE OF PENSION FUND INVESTMENTS  
CALIFORNIA GOVERNMENT CODE SECTION 54956.81**

**13.02 PERSONNEL MATTERS  
CALIFORNIA GOVERNMENT CODE SECTION 54957  
EMPLOYEE DISABILITY RETIREMENT APPLICATION(S) (1)**

01 Consent Items

- a Christopher Bruno  
Chief Public Defender Investigator  
Service-Connected Disability

**The Board voted unanimously (7-0) to grant the applicant a Service-Connected Disability Retirement. (Motion: Van Houten; Second: Bassett)**

**13.03 CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION  
CALIFORNIA GOVERNMENT CODE SECTION 54956.9(d)(4)  
Initiation of Litigation - 1 Case**

**14.0 CALENDAR**

**14.01** Administrative Committee Meeting June 9, 2021, at 2:00 PM

**14.02** Board Meeting July 9, 2021, at 9:00 AM

**15.0 ADJOURNMENT**

**15.01** There being no further business the meeting was adjourned at 11:05 AM.

Respectfully Submitted:

\_\_\_\_\_  
Michael Restuccia, Chair

Attest:

\_\_\_\_\_  
Raymond McCray, Secretary





# San Joaquin County Employees Retirement Association

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## MINUTES

**ADMINISTRATIVE COMMITTEE MEETING  
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
BOARD OF RETIREMENT  
WEDNESDAY, JUNE 9, 2021  
AT 2:09 PM  
Location: Via Zoom**

### 1.0 ROLL CALL

- 1.01 MEMBERS PRESENT:** Jennifer Goodman, Raymond McCray, and Chanda Bassett presiding  
**MEMBERS ABSENT:** Phonxay Keokham  
**STAFF PRESENT:** Chief Executive Officer Johanna Shick, Assistant Chief Executive Officer Kathy Herman, Information Systems Analyst II Lolo Garza, Management Analyst III Greg Frank, and Administrative Secretary Kendra Fenner  
**OTHERS PRESENT:** Deputy County Counsel Jason Morrish, and Jenni Kregel of Reed Smith, LLP

### 2.0 PUBLIC COMMENT

- 2.01** Follow the steps below to address the Board of Retirement. Speakers are limited to three minutes, and are expected to be civil and courteous.

If joining via Zoom, Public Comment can be made in the following ways:

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### 3.0 SELECTION OF STRATEGIC PLANNING FACILITATOR

- 3.01** Presentation by Jeanna Cullins, Partner, Fiduciary Services Practice Leader of Aon Consulting, Inc.
- 3.02** Presentation by Amy McDuffee, Founder and CEO of Mosaic Governance Advisors, LLC.
- 3.03** Committee reviewed proposed vendors and voted unanimously (3-0) in favor of Mosaic pending successful contract negotiation (Motion: McCray; Second: Goodman)

## **4.0 CONSENT ITEMS**

### **4.01 Board Administration Policies Not Requiring Amendments**

- 01 Normal Retirement Age - IRC 401(a)
- 02 Retiree Medical Benefits Accounts - IRC 401(h)
- 03 Retirement Eligible Compensation

### **4.02 Board Administration Policies Requiring Amendments**

- 01 Annual Additions Limit - IRC 415(c) Policy
  - a Proposed revisions to Annual Additions Limit - IRC 415(c) Policy - Mark-up
  - b Proposed revisions to Annual Additions Limit - IRC 415(c) Policy - Clean
- 02 Annual Benefits Limit - IRC 415(b) policy
  - a Proposed revisions to Annual Benefits Limit - IRC 415(b) Policy - Mark-up
  - b Proposed revisions to Annual Benefits Limit - IRC 415(b) Policy - Clean
- 03 Compensation Earnable Annual Limit - IRC 401(a)(17) Policy
  - a Proposed revisions to Compensation Earnable Annual Limit Policy - IRC 401(a)(17) Policy - Mark-up
  - b Proposed revisions to Compensation Earnable Annual Limit Policy - IRC 401(a)(17) Policy - Clean
- 04 Document and Data Retention Policy
  - a Proposed revisions to Document and Data Retention Policy - Mark-up
  - b Proposed revisions to Document and Data Retention Policy - Clean
- 05 Final Compensation Review Policy
  - a Proposed revisions to Final Compensation Review Policy - Mark-up
  - b Proposed revisions to Final Compensation Review Policy - Clean
- 06 Required Minimum Distributions - IRC 401(a)(9) Policy
  - a Proposed revisions to Required Minimum Distributions - IRC 401(a)(9) Policy - Mark-up
  - b Proposed revisions to Required Minimum Distributions - IRC 401(a)(9) Policy - Clean
- 07 Return to Work and Bona Fide Separation from Service - IRC 401(a) Policy
  - a Proposed revisions to Return to Work and Bona Fide Separation from Service - IRC 401(a) Policy - Mark-up
  - b Proposed revisions to Return to Work and Bona Fide Separation from Service - IRC 401(a) Policy - Clean
- 08 Rollovers - IRC 401(a)(31) and 402(c) Policy
  - a Proposed revisions to Rollovers - IRC 401(a)(31) and 402(c) Policy - Mark-up
  - b Proposed revisions to Rollovers - IRC 401(a)(31) and 402(c) Policy - Clean

### **4.03 Review of Committee Charters**

- 01 Audit Committee Charter

a Proposed revisions to Audit Committee Charter - Mark-up

b Proposed revisions to Audit Committee Charter - Clean

02 Administrative Committee Charter

a Proposed revisions to Administrative Committee Charter - Mark-up

b Proposed revisions to Administrative Committee Charter - Clean

**4.04 The Committee reviewed, provided edits to select policies, and voted unanimously (3-0) to recommend the Board of Retirement adopt the policies with revisions and the Committee Charters. (Motion: Goodman; Second: McCray)**

**5.0 MID-YEAR ADMINISTRATIVE BUDGET REVIEW AND PROPOSED ADJUSTMENT**

**5.01** Mid-Year Review of Actuals vs Budgeted Expenses as of June 30, 2021

**5.02 The Committee reviewed the budget, and voted unanimously (3-0) to recommend the Board of Retirement approve the proposed 2021 Mid-Year Administrative Budget Adjustment of \$150,000. (Motion: McCray; Second: Goodman)**

**6.0 COMMENTS**

**6.01** No comments from the Committee Members

**7.0 ADJOURNMENT**

**7.01** There being no further business, the meeting was adjourned at 3:48 p.m.

Respectfully Submitted:

\_\_\_\_\_  
Chanda Bassett, Committee Chairperson



# San Joaquin County Employees Retirement Association

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## MINUTES (Amended)

**BOARD MEETING  
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION  
BOARD OF RETIREMENT  
FRIDAY, MAY 7, 2021  
AT 9:00 AM  
Location: Via Zoom**

### 1.0 ROLL CALL

- 1.01 MEMBERS PRESENT:** Phonxay Keokham, Emily Nicholas, Jennifer Goodman, Michael Duffy, Katherine Miller (in at 9:02 a.m.), Chanda Bassett, Adrian Van Houten, Margo Praus (out at 11:57 a.m.), Raymond McCray, and Michael Restuccia presiding  
**MEMBERS ABSENT:** None  
**STAFF PRESENT:** Chief Executive Officer Johanna Shick, Assistant Chief Executive Officer Kathy Herman, Retirement Investment Officer, Paris Ba, Financial Officer Carmen Murillo, Management Analyst III Greg Frank, Department Information Systems Analyst II Lolo Garza, Information Systems Analyst II Jordan Regevig, and Administrative Secretary Kendra Fenner  
**OTHERS PRESENT:** Deputy County Counsel Jason Morrish, David Sancewich of Meketa Investment Group

### 2.0 PLEDGE OF ALLEGIANCE

- 2.01** Led by Michael Restuccia

### 3.0 APPROVAL OF MINUTES

- 3.01** Approval of the minutes for the Board Meeting of April 9, 2021  
**3.02** The Board voted unanimously (9-0) to approve the Minutes of the Board Meeting of April 9, 2021. (Motion: Goodman; Second: Bassett)

### 4.0 PUBLIC COMMENT

- 4.01** Retired member J.C. Weydert stated the Ventura related increases to benefits and their impact on funding has been difficult to sustain. He is happy we were able to sort out Tier 2b.  
**4.02** Adele Campos of San Joaquin County Management Association asked for clarification on base pay.

### 5.0 CONSENT ITEMS

- 5.01** Service Retirement (65)  
**5.02** The Board voted unanimously (9-0) to approve the Consent Items. (Motion: Van Houten; Second: McCray)

### 6.0 PENSIONABLE COMPENSATION FOR FUTURE MEMBERS - TIER 2B PROPOSAL

- 6.01** CEO to provide educational presentation  
**6.02** Resolution 2021-05-01 "Pensionable Compensation for Future SJCERA Members"  
**6.03** The Board voted unanimously (9-0) to adopt Resolution 2021-05-01 (Motion: Keokham; Second: Miller)

## **7.0 RETURN TO IN-PERSON BOARD MEETINGS**

**7.01** Board agreed to revisit in-person meetings in three months unless the State Emergency Order is lifted prior to that time and requires other measures

## **8.0 CONSULTANT REPORTS PRESENTED BY DAVID SANCEWICH OF MEKETA INVESTMENT GROUP**

### **8.01 Monthly Investment Performance Updates**

01 Receive and File Manager Performance Flash Report - March 2021

02 Receive and File Economic and Market Update - March 2021

### **8.02 Private Equity Review**

### **8.03 Board accepted and filed reports**

## **9.0 STAFF REPORTS**

### **9.01 Legislative Summary Report**

### **9.02 Trustee and Executive Staff Travel**

01 Conferences and Events Schedule for 2021

02 Summary of Pending Trustee and Executive Staff Travel

03 Summary of Completed Trustee and Executive Staff Travel

### **9.03 CEO Report**

In addition to the CEO report, CEO Shick stated the Board has one General member and two Retired member seats up for election. Two, possibly three, individuals have applied for the eighth seat. Staff has completed their review of the Cybersecurity Auditing Services Proposals and will provide the Audit committee with their recommendation. Staff will work with the Administrative Committee to select a Strategic Planning partner. The new Terminal Illness or Death of an Employee employer notice has been distributed and posted on the website. Lastly, CEO Shick pointed out two articles indicating public funds are beginning to invest in block chain technology.

### **9.04 Board accepted and filed reports**

## **10.0 CORRESPONDENCE**

### **10.01 Letters Received**

### **10.02 Letters Sent**

### **10.03 Market Commentary/Newsletters/Articles**

01 MEKETA Understanding China: an economic and investment perspective  
March 2021

02 BUSINESS INSURANCE Travelers unit must indemnify county retirement  
association April 2021

03 NCPERS The Monitor April 2021

04 NEWS ALERT SJC Begins Core Fixed-Income Mgr. Search April 2021

05 Pensions & Investments Investors inching closer to joining the fray April 2021

06 Pensions & Investments Two Virginia pension funds warm up to blockchain  
technology investments April 2021

## **11.0 COMMENTS**

- 11.01 Trustee Duffy advised it is a great time for block chain technology education.
- 11.02 Trustee McCray suggested revisiting presentation by Mark Yusko from Morgan Creek on block chain technology investments.
- 11.03 Trustee Keokham congratulated former Assistant County Administrator Jerry Becker on his retirement.

## 12.0 CLOSED SESSION

**THE CHAIR CONVENED CLOSED SESSION AT 11:42 A.M. AND ADJOURNED THE CLOSED SESSION AND RECONVENED THE OPEN SESSION AT 12:05 P.M.**

### 12.01 PURCHASE OR SALE OF PENSION FUND INVESTMENTS CALIFORNIA GOVERNMENT CODE SECTION 54956.81

### 12.02 PERSONNEL MATTERS CALIFORNIA GOVERNMENT CODE SECTION 54957 EMPLOYEE DISABILITY RETIREMENT APPLICATION(S) (2)

#### 01 Disability Retirement Consent (2)

Counsel reported that in Closed Session the Board took the following action on personnel matters:

- a Cory Davis  
Correctional Officer  
Service-Connected Disability

**The Board voted unanimously (9-0) to accept the findings and recommendation of the Administrative Law Judge and deny the application for a Service-Connected Disability Retirement to grant the applicant a Service-Connected Disability Retirement. (Motion: McCray; Second: Keokham)**

- b Jody Mortenson  
Office Assistant Specialist  
Service-Connected Disability

**The Board voted unanimously (9-0) to accept the findings and recommendation of the Administrative Law Judge and deny the application for a Service-Connected Disability Retirement to grant the applicant a Service-Connected Disability Retirement. (Motion: McCray; Second: Keokham)**

### 12.03 CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION CALIFORNIA GOVERNMENT CODE SECTION 54956.9(d)(4) Initiation of Litigation - 1 Case

- 01 *Counsel noted there was nothing to report from closed session regarding this subject.*

## 13.0 REPORT OF CLOSED SESSIONS

- 13.01 On May 8, 2020, the Board unanimously authorized the CEO to sign the necessary documents and further approve Resolution 2020-10-01 titled "Stellex Capital Partners II" and committed to invest \$50 million in the fund.

## 14.0 CALENDAR

- 14.01 Audit Committee Meeting May 20, 2021, at 10:00 AM

**14.02** Board Meeting June 4, 2021, at 9:00 AM

**15.0 ADJOURNMENT**

**15.01** There being no further business the meeting was adjourned at 12:07 p.m. The Board took a break from 11:15 a.m. until 11:23 a.m.

Respectfully Submitted:

\_\_\_\_\_  
Michael Restuccia, Chair

Attest:

\_\_\_\_\_  
Raymond McCray, Secretary

## Memo

**To:** Members of the Board of Retirement  
**San Joaquin County Employees' Retirement Association (SJCERA)**

**From:** Amy McDuffee, Founder and CEO  
Catherine Jackson, Consulting Co-Lead  
Mosaic Governance Advisors, LLC (Mosaic)

**Cc:** Johanna Shick, Chief Executive Officer  
SJCERA

**Date:** June 30, 2021

**Re:** Overview of 2021 SJCERA Strategic Planning Process

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Mosaic was recently selected through a competitive bid process to facilitate SJCERA's strategic planning process. We appreciate the opportunity to be of service to the Board of Retirement ("Board") and its staff leadership team ("Leadership Team"), and are looking forward to supporting your discussions.

The purpose of this memo is to: 1) introduce our team, 2) provide a brief description of the strategic planning process, and 3) to request Trustees' time and involvement in interviews.

### **1) About Mosaic Governance Advisors, LLC**

Mosaic is a Colorado-based consulting firm with an international presence that provides strategic planning and governance advice to the public pension fund community. Our clients include public pensions that range in asset size between \$2B and over \$280B. The professionals on our team have decades of experience improving governance effectiveness within the public fund community. The consulting team for SJCERA is co-led by Amy McDuffee and Catherine Jackson, supported by Abhishek Kumar and Eva Berninzoni.

### **2) Strategic Planning Process Introduction**

Strategic planning is a governance best practice that has gained considerable traction among public pensions over the past two decades. It provides a board and staff with a mechanism to collaboratively map out long-term goals and the implementation steps necessary to achieve them. Our team has extensive experience in successfully assisting the boards and staffs of



public pension funds to develop, update, and monitor their strategic plans. The approach we use is inclusive and collaborative. It involves the board, staff, and the board's consultants, and infuses input from system stakeholders including the system's staff, members, and beneficiaries.

Our strategic planning framework results in a cohesive, multi-year strategic plan with the following core elements:

- A long-term future vision of success,
- Vision and mission statements,
- Statement of core values,
- Prioritized goals and objectives for a 3-to-5-year period to align the organization to the long-term future vision of success, and
- Performance measures.

The process we will be undertaking with SJCERA to develop the core elements is estimated to take approximately 6 to 7 months, spread across the following phases: information gathering, collaborative discussions, and strategic plan development and board approval. A process timeline appears under Attachment A.

There are three notable areas where we are seeking the SJCERA Board's involvement, as follows:

- In Phase 1 (input gathering), we respectfully request the opportunity to engage each Trustee in an individual interview later in the month of July,
- In Phase 2, (collaborative discussions) we anticipate an interactive half-day session with the Board and its Leadership Team in November to identify the consensus direction that forms the basis for the strategic plan's core elements, and
- In Phase 3 (development and approval), we will seek the Board's consideration of the draft strategic plan that we develop with your Leadership Team.

While we recognize that SJCERA has some elements that flow into a strategic plan (i.e., Mission Statement and annual Action Plans), we ask that the Board and Leadership Team look to the future with fresh eyes. The existing elements should inform, but not unduly anchor your thinking.

### **3. Invitation to Participate in an Interview**

To gather the Board's perspectives regarding SJCERA's longer-term direction, we would like to speak with each Trustee via Zoom or phone. Our team has dedicated time during the second-half of July to accomplish these interviews. We estimate that the interviews will take approximately 1 hour of your time; however, we will take as much time as you need to discuss your comments.

**General questions for your consideration before our phone interview are provided under Attachment B.** We will also field any questions that you may have about the work we have been asked to perform.

Amy McDuffee and/or Catherine Jackson will be meeting with you and will be joined by Abhishek Kumar who will be responsible for capturing your comments. Biographies of our team members appear under Attachment C.

Mosaic team member Eva Berninzoni will be reaching out to each of you following your July Board meeting to schedule a mutually convenient time for your interview.

***We kindly ask that you complete your interview with us no later than Friday, July 30, 2021 to allow us sufficient time to thoughtfully analyze your responses.***

### **Summary**

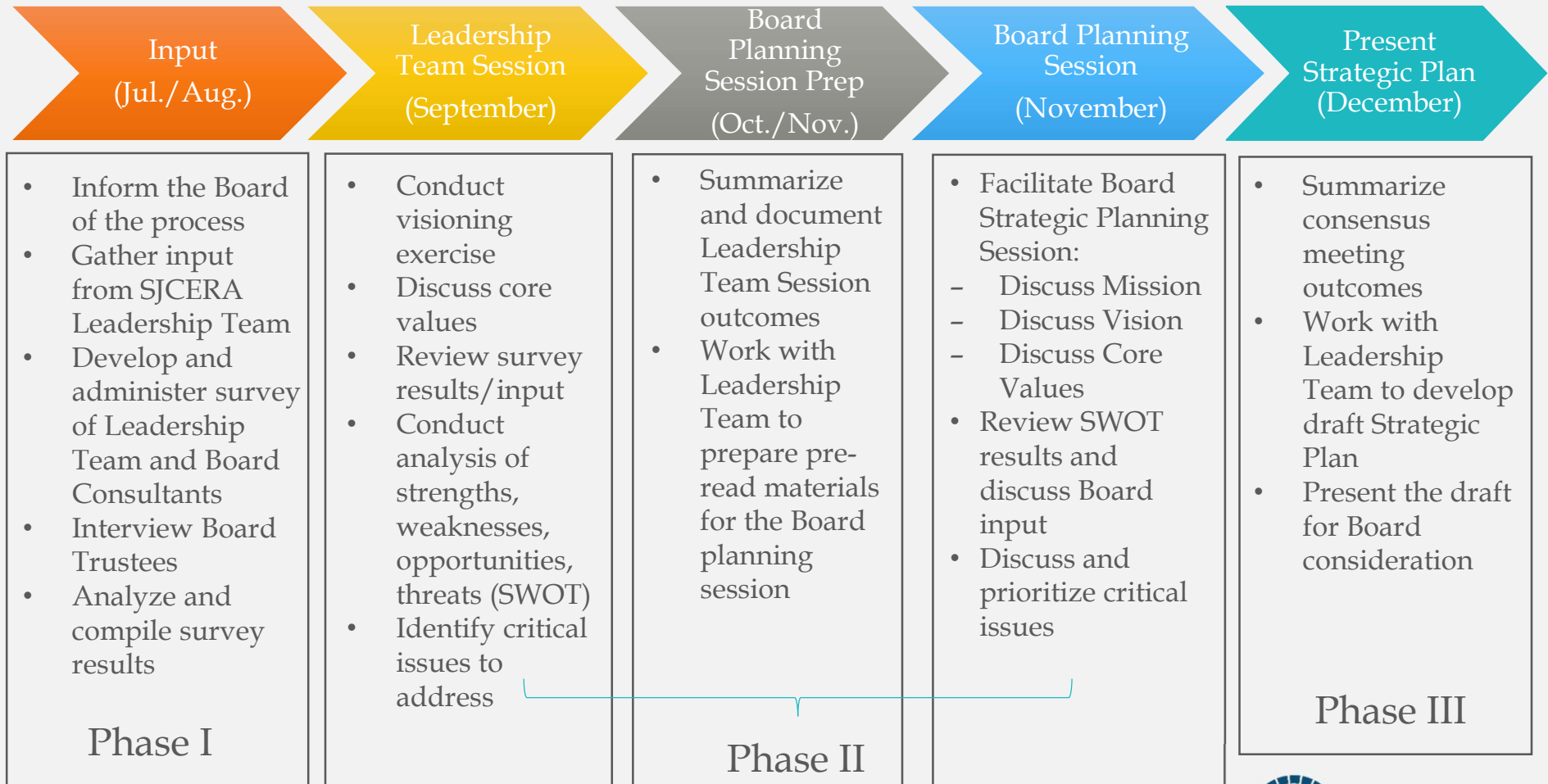
We hope this overview has been helpful in previewing the strategic planning process as well as how we anticipate working with the Board and Leadership Team. Again, it is a pleasure to be of service to SJCERA. Should you have any questions, please don't hesitate to contact us via email at [Amy.McDuffee@MosaicGovernance.com](mailto:Amy.McDuffee@MosaicGovernance.com) or [Catherine.Jackson@MosaicGovernance.com](mailto:Catherine.Jackson@MosaicGovernance.com).

#### Attachments:

- Attachment A. Strategic Planning Process Timeline
- Attachment B. Interview Questions
- Attachment C. Mosaic Team Biographies

# Attachment A. Strategic Planning Process Timeline

## SJCERA - 2021



## **Attachment B. Interview Questions**

Below are general questions for your consideration in advance of your interview.

1. Imagine it is the year 2031 – 10 years from now - and SJCERA is incredibly successful. What does that look like to you? What makes you proud as a (current or former) Board member?
2. Within that future scenario, what is the outcome that SJCERA achieved (e.g., full funding, relevancy through satisfied and engaged members, cost-effectiveness, some aspect of industry recognition, etc.)?
3. As you reflect on today's dynamic, what do you view as SJCERA core competencies? What core competencies will be important to achieving the future vision that you outlined?
4. Also reflecting on today's environment, what circumstances<sup>1</sup> have changed or may change that create risks or opportunities for SJCERA?
5. In your opinion, what are the most critical areas of focus for SJCERA to be successful in the short- term and the longer-term?
6. What potential strategic initiatives have you been thinking of that you'd like to see addressed?

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<sup>1</sup> Examples include the financial markets, public employees' expectations, the political atmosphere, technological, social, or demographic developments, or anything else you believe is significant.

## **Attachment C. Mosaic Team Biographies**

Mosaic is a Colorado-based consulting firm with an international presence that provides strategic governance advice to pension funds. The professionals on our team have extensive experience improving governance effectiveness within the pension fund community. The primary consultants for the SJCERA engagement are:

- Amy McDuffee, Founder and CEO, Co-Lead Consultant
- Catherine Jackson, Co-Lead Consultant

They are supported by Abhishek Kumar, Analyst, and Eva Berninzoni, Administrative Coordinator, who will assist in the successful completion of the Project.

***Amy McDuffee, Co-Lead Consultant*** – Amy is the Founder and CEO of Mosaic Governance Advisors, LLC, an independent consultancy providing strategic board governance advice to the pension fund community.

Amy specializes in helping boards and their executives identify, implement, and embrace practices that create value through an organization's governance function. Over the past two decades, Amy has worked with over 45 public sector organizations in twenty states, including public retirement systems, state investment boards, and state treasuries. Her client work includes strategic planning, board self-evaluations, executive and consultant evaluations, governance structure and practice reviews, succession planning and other matters.

Before founding Mosaic, Amy was a lead consultant within the Fiduciary Services Practice of Aon Hewitt Investment Consulting (AHIC), where she served the Practice's largest public fund governance clients. Before becoming affiliated with AHIC's predecessor firm in 2009, Amy held a senior position with a global asset management firm, and served in an executive capacity for a statewide public retirement system. Previously, Amy served as Managing Director at Great-West Life & Annuity Insurance Company, now Great-West Financial, where she built a subsidiary company that provided investment advisory, education, and investment management services to the company's defined contribution retirement plan sponsors and participants. Amy's career began at Mercer, where she was an integral member of the National Governance and Policy Practice.

Amy is a graduate of the University of Wisconsin Stevens Point and holds the Certified Employee Benefit Specialist designation from the Wharton School of the University of Pennsylvania and the International Foundation of Employee Benefit Plans (IFEBC). She also earned a Certificate of Achievement in Public Plan Policy. Amy serves on the Public Employee Committee of the IFEBC Board of Directors and the Government Finance Officers Association (GFOA) Committee On Retirement and Benefits Administration (CORBA). She is the former president of the Colorado Chapter of Certified Employee Benefit Specialists and a frequent speaker on pension fund governance matters.

**Catherine Jackson, Co-Lead Consultant** – Catherine joined Mosaic in October 2019 as a senior member of the consulting team to advise public pension boards on their most pressing and complex governance matters. Over her nearly three-decade career, Catherine has earned her reputation as a strategic thinker and influencer with experience in building consensus. She has served pension and institutional investor clients in Europe, Asia, and North America, advising on a range of governance matters, including governance structure and practices, board and executive evaluation, governance of sustainable finance and ESG, strategic planning, and risk management.

Catherine developed her expertise through nearly two decades of leading global sustainable ownership activities at PGGM, a Dutch pension fund manager, and before that at the Ontario Teachers' Pension Plan in Canada. At both organizations, she pioneered new practices and policies, influencing the global pension community. She has represented and furthered these funds' interests through industry organizations, including as Chair of the Investor Advisory Council to the Council for Institutional Investors in the U.S., and Chair of the Global Institutional Governance Network, and as chair of various committees at the International Corporate Governance Network (U.K.).

Catherine is a CPA through the Canadian Institute of Chartered Accountants. She has instructed global pension fund trustees through the Pension Governance Education Program, a joint effort between the Rotman School of Management Executive Programs and the International Centre for Pension Fund Management. She frequently speaks at industry conferences and events on pension fund governance matters. Catherine resides in Toronto, Canada.

**Abhishek Kumar, Analyst** – Abhishek joined Mosaic in May 2020 and assists the consulting team with all facets of pre-meeting preparation and post-meeting follow-up. With over seven years of market research and data analytics experience, Abhishek is adept at designing and administering custom research projects, gathering data from primary and secondary sources, and identifying trends and insights from data sets. He also has training and experience in reviewing, analyzing, and comparing complex technical and legal documents.

Abhishek, a freshly minted MBA graduate from Alberta School of Business, pursued a major in Business Analytics, focusing on Financial Analytics. In addition to his academic qualifications, his cross-cultural career has enabled him to explore the areas of research and consulting across a plurality of industries, including public pensions, healthcare, education, retail, food and beverage, and technology (intellectual property research). He is the former co-founder of a for-profit social entrepreneurship venture called "Great Indian Basket."

Abhishek received a Bachelor of Technology degree in 2010 from the National Institute of Technology in Durgapur, India. In 2015, Abhishek earned his post-graduate diploma from the Naslar University of Law in Hyderabad, India. Abhishek resides in Edmonton, Alberta.

**Eva Berninzoni, Administrative Coordinator**

Eva is an Administrative Coordinator with Mosaic, having joined the firm in September 2019. In this capacity, Eva supports the consulting team on all aspects of client projects, including project plan design and management, survey implementation, and document preparation. Eva also serves as a focal point for client communications, coordinating team responses for effectiveness and efficiency, managing document requests, and gathering peer data.

Before joining Mosaic, Eva worked for ten years as an account management professional in large financial services and software development companies, including FTEN, Inc., ING Life, now Voya Financial, and Great-West Life & Annuity Insurance Company, now Great-West Financial. Through her work, she developed and implemented processes to streamline new sales and customer support processes and facilitated the growth of pending sales within three large-volume sales regions. She also trained and educated all levels of personnel from call center staff to executives on the new business and underwriting processes and provided responsive service communications to assigned policyholders, agents, and agency personnel. Her solid problem-solving and team leadership skills, coupled with her focus on process improvements, enhanced the teams' effectiveness and efficiency to deliver exceptional results to clients.

Eva received her Bachelor of Arts degree in psychology from the University of Colorado-Boulder. She and her family reside in the Denver metropolitan area.



# San Joaquin County Employees Retirement Association

**PUBLIC**

*July 2021*

## 6.01 Service Retirement

## Consent

- |  |  |
|--|--|
| <p><b>01 RHONDA J BEACH</b></p> <p>Member Type: General<br/>Years of Service: 30y 10m 18d<br/>Retirement Date: 6/1/2021</p>                                      | <p>Staff Nurse IV - Inpatient<br/>Hosp Labor-Del-Rcvry-Post Part</p> |
| <p><b>02 MICHAEL D BOCCOLI</b></p> <p>Member Type: Safety<br/>Years of Service: 20y 04m 16d<br/>Retirement Date: 6/6/2021</p>                                    | <p>Juvenile Facility Supervisor<br/>Juvenile Detention</p>           |
| <p><b>03 LINDA J BRETT</b></p> <p>Member Type: General<br/>Years of Service: 22y 00m 03d<br/>Retirement Date: 5/1/2021</p>                                       | <p>Staff Nurse IV - Ambulatory<br/>Mental Health-Childrens Srvc</p>  |
| <p><b>04 LANCE CALKINS</b></p> <p>Member Type: Safety<br/>Years of Service: 01y 05m 26d<br/>Retirement Date: 6/7/2021<br/>Comments: Reciprocity with CalPers</p> | <p>Def<br/>Def</p>   |
| <p><b>05 MARIA T CARO</b></p> <p>Member Type: General<br/>Years of Service: 17y 05m 17d<br/>Retirement Date: 6/7/2021</p>  | <p>Eligibility Worker I<br/>HSA - Eligibility Staff</p>              |
| <p><b>06 MICHAEL CASTANON</b></p> <p>Member Type: Safety<br/>Years of Service: 20y 05m 24d<br/>Retirement Date: 6/1/2021</p>                                     | <p>Correctional Officer<br/>Sheriff-Custody-Regular Staff</p>        |
| <p><b>07 MICHAEL CASTANON</b></p> <p>Member Type: General<br/>Years of Service: 00y 04m 07d<br/>Retirement Date: 6/1/2021</p>                                    | <p>Correctional Officer<br/>Sheriff-Custody-Regular Staff</p>        |
| <p><b>08 SUZANNE R COOPER</b></p> <p>Member Type: General<br/>Years of Service: 11y 10m 19d<br/>Retirement Date: 6/1/2021</p>                                    | <p>Accounting Technician II<br/>Sheriff - CAL MMET</p>               |
| <p><b>09 MARIE T CUDNEY</b></p> <p>Member Type: General<br/>Years of Service: 19y 07m 03d<br/>Retirement Date: 6/5/2021</p>                                      | <p>Pharmacy Tech III Supervisor<br/>Mental Health Pharmacy</p>       |





# San Joaquin County Employees Retirement Association

**PUBLIC**

*July 2021*

- 10 GAIL L DOWNER** Administrative Assistant II  
Information Systems Div - ISF  
Member Type: General  
Years of Service: 37y 11m 16d  
Retirement Date: 5/8/2021
- 11 DEBRA A FURTADO** Laboratory Assistant I  
Hosp Laboratory Clinic  
Member Type: General  
Years of Service: 17y 07m 06d  
Retirement Date: 6/7/2021
- 12 TERI L GARTIN** Office Coordinator  
Court Interpreters  
Member Type: General  
Years of Service: 12y 10m 20d  
Retirement Date: 5/29/2021
- 13 GREGORY S GAUTHREAUX** Correctional Officer  
Sheriff-Custody-Regular Staff  
Member Type: Safety  
Years of Service: 22y 00m 04d  
Retirement Date: 5/24/2021
- 14 JOSEPH T JACOBS** Utility Dist Maint Supervisor  
Utility Districts  
Member Type: General  
Years of Service: 20y 06m 01d  
Retirement Date: 5/23/2021
- 15 SURYABAMU JAVEED** Psychiatrist  
Mental Health-Older Adult Srvs  
Member Type: General  
Years of Service: 10y 06m 22d  
Retirement Date: 5/3/2021
- 16 SHANNON E JENKINS** Communications Dispatcher III  
Sheriff - Communications  
Member Type: General  
Years of Service: 12y 06m 07d  
Retirement Date: 5/27/2021
- 17 EDDIE F LUCCHESI** Special District Class Code  
SJ Co Mosquito Abatement  
Member Type: General  
Years of Service: 35y 08m 21d  
Retirement Date: 6/5/2021
- 18 TONYA E MALLORY** EEDD Analyst III  
Employment - Economic Developm  
Member Type: General  
Years of Service: 21y 02m 29d  
Retirement Date: 5/22/2021



# San Joaquin County Employees Retirement Association

**PUBLIC**

*July 2021*

- 19 LUIS NAVARRO** Sr Solid Waste Recovery Worker  
Lovelace Transfer District
- Member Type: General  
Years of Service: 13y 09m 08d  
Retirement Date: 6/7/2021
- 20 VERGIE M PERRY** Accountant II  
HSA - Admin Support
- Member Type: General  
Years of Service: 14y 11m 23d  
Retirement Date: 6/7/2021
- 21 SUREATHA D REED** Senior Administrative Spvr  
HSA - Admin Support
- Member Type: General  
Years of Service: 29y 11m 25d  
Retirement Date: 5/19/2021
- 22 PATRICIA S WHIPPLE** Office Technician/Coordinator  
California Childrens Services
- Member Type: General  
Years of Service: 04y 09m 06d  
Retirement Date: 6/3/2021  
Comments: Reciprocity with CalPers



# Board of Retirement Meeting

San Joaquin County Employees' Retirement Association

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## Agenda Item 6.02

July 9, 2021

**SUBJECT: Mid-Year Administrative Budget Review and Proposed Adjustment  
January 1 through June 30, 2021**

**SUBMITTED FOR:     CONSENT     ACTION     INFORMATION**

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### RECOMMENDATION

Staff submits the mid-year administrative budget review for January 1 through June 30, 2021. The Administrative Committee recommends the Board approve increasing the budget by \$150,000, from \$4,388,980 to \$4,538,980. The budget increase covers the hiring of a pension administration system consulting services vendor.

### PURPOSE

To compare projected actuals to the budgeted administrative expenses for SJCERA's operations for the first six months of the fiscal year and to determine if any budget adjustment(s) are necessary.

### DISCUSSION

#### Proposed Mid-Year Budget Adjustment

At the November 12, 2020 Administrative meeting, the Committee approved staff issuing a Request for Proposal (RFP) for pension consulting services and to bring a mid-year adjustment in 2021 to the Board when the estimated costs are known. Having completed the RFP process, the costs are now known, and explained below.

Staff received three proposals from the pension administration system consulting services RFP. The scope of work to be included in 2021 is as follows:

- Evaluate the system to identify existing functionality and unique and/or critical processes that should be considered when selecting a new system,
- Develop system requirements, both technical and functional, based on the business needs of each functional area as well as the organization as a whole,
- Provide recommendations for augmenting functionality and changing business practices to align with standard industry practices, and
- Write the RFP and help facilitate the selection of a proposer

The timeline for these tasks is projected to take six to nine months with an estimated cost from \$196,000 to \$277,000. These costs would be incurred in the second half of 2021.

An additional scope of work, Project Management Oversight, would not take place until 2022, and is estimated at \$1,800,000. This item will be included in the proposed 2022

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Administrative Budget, which is scheduled to be brought before the Administrative Committee at the November meeting.

### **Mid-Year Budget Review**

SJCERA's projected expenses for the period January 1 through June 30 are 43 percent of budget, or \$290,978 less than budgeted year-to-date. The attachment provides details for actual versus budgeted expenses by line item.

### **Notable Differences**

At June 30, we would expect to be approximately 50 percent through our budget. The notable variances between the projected actual year-to-date expenses and the 2021 Administrative Budget are summarized below.

#### **Salaries and Benefits**

Projected actual Salaries and Benefits expense is 46 percent of the budgeted amount or \$112,974 less than budgeted year-to-date. The primary reason is the savings from vacancies within the department and their replacements being hired at lower steps and at Tier 2.

#### **Services and Supplies**

Projected actual Services and Supplies expenses are 37 percent of the budgeted amount or \$159,187 under budget year-to-date. Additional information regarding components of Services and Supplies is provided below.

Due Diligence/Training: Projected actual expenses are eight percent of budget (\$18,270 below budget), primarily caused by conferences being held via webinars.

Professional & Specialized Services: Projected actual expenses are 45 percent of budget (\$22,118 below budget), primarily caused by the cybersecurity audit being incurred in the second half of the year.

Professional Services - Disability: Projected actual expenses are 42 percent of budget, (\$15,869 under budget) due to actual case load being less than budgeted.

Software and Related Licenses: Projected actual expenses are two percent of budget (\$46,826 under budget). These expenses are expected to be incurred in the second half of the year and in line with the budget by the end of the year.

Insurance – Liability and Fiduciary: Projected actual expenses are six percent of budget (\$44,556 under budget). The primary reason is the annual fiduciary liability insurance premium is paid in the second half of the year.

**CONCLUSION**

As stated above, SJCERA's projected expenses are \$290,978 less than budgeted year-to-date. Some of these costs will be incurred in the second half of the year, but staff expects to retain the Salaries and Benefits savings (\$112,974) and the Due Diligence savings (\$18,270). Accordingly, we are asking the Board to approve an increase in the budget of \$150,000, not the entire cost (highest bid of \$277,000) of hiring a pension administration system consulting vendor.

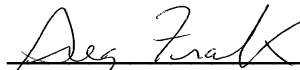
**ATTACHMENT**

Mid-Year Review of Actual vs. Budgeted Expenses as of June 30, 2021



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JOHANNA SHICK  
Chief Executive Officer



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GREG FRANK  
Management Analyst III

## MID-YEAR REVIEW OF ACTUAL VS. BUDGETED EXPENSES

SJCERA 2021 ADMINISTRATIVE BUDGET

AS OF JUNE 30, 2021

ACCOUNT NUMBER	DESCRIPTION	YTD EXPENSES	2021 BUDGET	REMAINING BALANCE	YTD % SPENT	50% OF BUDGET	YTD SAVINGS
6001000000	Salaries & Wages	\$828,043	\$1,740,702	\$912,659	48%	\$870,351	\$42,308
6001100000	Salaries - Cafeteria	\$45,626	\$110,251	\$64,624	41%	\$55,125	\$9,499
6001200000	Salaries - Car Allowance	\$3,510	\$7,020	\$3,510	50%	\$3,510	\$0
6001210000	Admin Benefits (Vac sell back)	\$0	\$22,320	\$22,320	0%	\$11,160	\$11,160
6010100000	Unemployment Comp Ins	\$0	\$2,624	\$2,624	0%	\$1,312	\$1,312
6020000000	Retirement-Employer Share	\$364,966	\$784,440	\$419,474	47%	\$392,220	\$27,254
6020600000	Health Ins for Retirees-SLB	\$12,263	\$30,000	\$17,737	41%	\$15,000	\$2,737
6030000000	Social Security - OASDI	\$51,094	\$104,932	\$53,838	49%	\$52,466	\$1,372
6030100000	Social Security - Medicare	\$11,967	\$26,774	\$14,808	45%	\$13,387	\$1,420
6040000000	Life Insurance	\$591	\$1,250	\$659	47%	\$625	\$34
6050000000	Health Insurance	\$128,960	\$288,000	\$159,040	45%	\$144,000	\$15,040
6070000000	Dental Insurance	\$3,787	\$8,800	\$5,013	43%	\$4,400	\$613
6080000000	Vision Care	\$536	\$1,520	\$984	35%	\$760	\$224
<b>SALARIES &amp; BENEFITS</b>		<b>\$1,451,343</b>	<b>\$3,128,634</b>	<b>\$1,677,291</b>	<b>46%</b>	<b>\$1,564,317</b>	<b>\$112,974</b>
6201000000	Office Expense - General	\$7,414	\$19,750	\$12,336	38%	\$9,875	\$2,461
6202000000	Office Expense - Postage	\$9,431	\$14,500	\$5,069	65%	\$7,250	(\$2,181)
6203000000	Office Exp - Subs & Periodicals	\$150	\$1,500	\$1,350	10%	\$750	\$600
6206000000	Telephone	\$5,266	\$22,500	\$17,234	23%	\$11,250	\$5,984
6209000000	Membership Dues	\$328	\$7,750	\$7,422	4%	\$3,875	\$3,547
6211000000	Maintenance - Equipment	\$2,379	\$8,500	\$6,121	28%	\$4,250	\$1,871
6217000000	Due Diligence/Training	\$3,480	\$43,500	\$40,020	8%	\$21,750	\$18,270
6220000000	Prof & Specialized Serv	\$182,714	\$409,665	\$226,951	45%	\$204,833	\$22,118
6220000100	Prof Services-Disability	\$84,131	\$200,000	\$115,869	42%	\$100,000	\$15,869
6226016000	Software & Related Licenses	\$2,174	\$98,000	\$95,826	2%	\$49,000	\$46,826
6243000000	Food	\$0	\$4,350	\$4,350	0%	\$2,175	\$2,175
6264000000	Rent - Structures & Grounds	\$105,735	\$215,019	\$109,283	49%	\$107,509	\$1,774
6295220700	Data Processing Charges-ISD	\$4,954	\$10,000	\$5,046	50%	\$5,000	\$46
6295232000	Insurance - Workers Comp	\$0	\$6,000	\$6,000	0%	\$3,000	\$3,000
6295236000	Insurance - Liability & Fiduciary	\$5,600	\$100,312	\$94,712	6%	\$50,156	\$44,556
6295999900	County Wide - Indirect Charges	\$27,730	\$70,000	\$42,270	40%	\$35,000	\$7,270
<b>SERVICES AND SUPPLIES</b>		<b>\$441,486</b>	<b>\$1,231,346</b>	<b>\$789,860</b>	<b>36%</b>	<b>\$615,673</b>	<b>\$174,187</b>
6451000000	Equipment and Furniture	\$538	\$1,500	\$962	36%	\$750	\$212
6453310100	PC Equipment and Upgrades	\$10,145	\$27,500	\$17,355	37%	\$13,750	\$3,605
<b>FIXED ASSETS</b>		<b>\$10,683</b>	<b>\$29,000</b>	<b>\$18,317</b>	<b>37%</b>	<b>\$14,500</b>	<b>\$3,817</b>
<b>TOTAL EXPENDITURES</b>		<b>\$1,903,512</b>	<b>\$4,388,980</b>	<b>\$2,485,468</b>	<b>43%</b>	<b>\$2,194,490</b>	<b>\$290,978</b>
<b>CONTINGENCY RESERVE</b>		<b>\$0</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>	<b>0%</b>		



# Board of Retirement Meeting

San Joaquin County Employees' Retirement Association

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## Agenda Items 6.03

July 9, 2021

**SUBJECT: Board Policies Requiring No Amendments**

**SUBMITTED FOR:      X   CONSENT       ACTION       INFORMATION**

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### RECOMMENDATION

Adopt the Administrative Committee- and staff-recommendation to make no changes to the policies listed below.

### PURPOSE

To review the policies to ensure they remain relevant, appropriate, and in compliance, per Section III.C of the Administrative Committee Charter.

### DISCUSSION

The Board requires staff to review one-third of the policies annually. Staff's review of this year's policies determined that no amendments are required on the following:

- Normal Retirement Age
- Retiree Medical Benefits Accounts – IRC 401(h)
- Retirement Eligible Compensation

The Administrative Committee supported staff's recommendation. In order to have a clear public record documenting the review of the policies and the decision to maintain the status quo, staff seeks the Board's concurrence with the recommendation.

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JOHANNA SHICK  
Chief Executive Officer

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GREG FRANK  
Management Analyst III



## Board Administration Policy

# Normal Retirement Age – IRC 401(a)

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### I. Purpose

- A. This policy reaffirms and clarifies the existing practices of the Association with respect to the normal retirement age applicable for the Association in accordance with Internal Revenue Code section 401(a) and Treasury regulations issued thereunder.

### II. Normal Retirement Age

#### A. General Members

1. Normal Retirement Age for general members is age 59 years, or if later, the date at which a Member vests in his or her right to receive a monthly retirement allowance from the Association. In accordance with the CERL, normal retirement age is not later than age 70 years.

#### B. Safety Members

1. Normal Retirement Age for safety members is age 54 years, or if later, the date at which a Member vests in his or her right to receive a monthly retirement allowance from the Association. In accordance with the CERL, normal retirement age is not later than age 70 years.
2. For purposes of this policy, “Safety member” shall mean a member who immediately prior to retirement was employed in a job classification in the Safety retirement category as designated by the CERL, or as determined by the Board, and who was eligible for a safety retirement allowance from SJCERA. “General member” shall mean all other SJCERA members.

#### C. Basis for Determining

1. These normal retirement ages are based on data provided by the Association's actuary finding that the most typical retirement age for general members of the Association is age 59 years and the most typical retirement age for safety members of the Association is 54 years.

#### D. Adjustment

1. The Board of Retirement for the Association may change the normal retirement age determined herein to the extent required to comply with Code section 401(a) or for any other reasons determined by the Board. The normal retirement age determined herein does not create any “vested rights” under California or federal law including but not limited to the contracts clause of the California Constitution.



**III. Code and Regulations Prevail**

A. This policy is intended to be in accordance with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable law will govern.

**IV. Policy Review**

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the Bylaws.

**V. History**

01/01/2015	Effective Date of Bylaw Section 23
12/08/2017	Extracted from Bylaws into policy
06/29/2018	Staff reviewed, no content changes; updated format
04/12/2019	Policy Review section amended at least once every three years
07/09/2021	Staff reviewed, no content changes

**Certification of Board Adoption:**

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Clerk of the Board	07/09/2021
	Date



## Board Administration Policy

# Retiree Medical Benefits Accounts - IRC 401(h)

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### I. Purpose and Effective Date

A. In accordance with CERL sections 31691 and 31694, this policy is only operative for the period from 1989 through January 1, 2011, during which the Association paid retiree medical benefits from the Association, to reaffirm and clarify the existing practices of the Association with respect to the requirements under Internal Revenue Code section 401(h) and thereafter are inoperative for the Association.

### II. Compliance with The Tax Code Section 401(h) Requirements

#### A. General Rule

1. All retiree medical benefit payments made by the Association will comply with all applicable federal laws, including Code section 401(h). To the extent there may be a conflict between this policy and Code section 401(h) or the Treasury Regulations issued thereunder, the Code and Treasury Regulations shall govern.

#### B. Compliance with Provisions of the Code

1. The Association must specify the medical benefits, which will be available and must set out the amount that will be paid for those benefits.
2. Medical benefits must be subordinate to the retirement benefits, when added to any life insurance benefits. Contributions shall be limited to the extent necessary to ensure that the retiree health benefits are subordinate to the retirement benefits provided by the Association as required by Code § 401(h).
3. A separate account must be maintained for contributions to fund the medical benefits.
4. Amounts credited to the 401(h) account may be invested with other Association funds set aside for retirement purposes, without identification of which investments are allocable to each account. However, earnings on each account shall be allocated to each in a reasonable manner.
5. Amounts contributed for medical benefits must be reasonable and ascertainable. The County and any applicable participating employer will, at the time it makes a contribution to the Association, designate in writing to the Association that portion of the contribution allocable to the 401(h) account to be used solely for health benefits.
6. No part of the medical benefits account may be used for or diverted to any purpose other than providing medical benefits and paying necessary or appropriate expenses for the administration of the medical

benefits account.

7. No retiree health benefits provided under the 401(h) account will discriminate in favor of highly compensated employees.
8. Any amounts remaining in the medical benefits account after satisfaction of all medical benefits liabilities for all Members, spouses and dependents must be returned to the employer.
9. If any Member's interest in the medical benefits account is forfeited prior to plan termination, an amount equal to the forfeiture must reduce employer contributions to fund the account.
10. Separate accounts are not required for key employees because no member of the Association is a key employee under the definitions of the Code.

#### C. Compliance with the CERL

1. In accordance with 31592.4 of the CERL, amounts may be credited from the excess earnings of the Association that are available at the end of the fiscal year to an employer advance reserves account which is used to pay annuity benefits (but not to pay health benefits), and such amounts will be treated as contributions by the employer to the Association. Amounts shall be credited to the employer advance reserves from the Association excess earnings only to the extent that in the immediately succeeding fiscal year the employer transfers equal dollar amounts to the 401(h) account. In this way, both the requirements of the Code and the CERL will be met so retirees can receive tax-free medical benefits.
2. To the extent required by the CERL, the 401(h) account shall be deemed to be an employer advance reserves account.

### III. **Definition of Employer Advance Reserve**

- A. Employer advance reserve means the account, which records contributions to the Association made by the County and additions to and subtractions from that account. For purposes of this policy, employer advance reserve includes a similar reserve, if any, held for other governmental entities authorized by the CERL that contribute to the Association. An employer advance reserve account records a portion of all of the assets held by the Association solely to provide for retirement benefits (including disability, death and other ancillary benefits) of all Members and to provide for reasonable administrative expenses, along with other accounts that record assets used solely for these purposes including but not limited to Member contribution accounts and other reserve accounts. A transfer between any of these accounts is a transfer for recording purposes only and is not a transfer between accounts that are used for retirement benefits and for any other purpose.

**IV. Law Prevails**

A. In the event a conflict between this policy and the County Employees Retirement Law, the Public Employees' Pension Reform Act, or other applicable statute arises, the law shall prevail.

**V. Policy Review**

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

**VI. History**

01/01/2015	Effective Date of Bylaw Section 28
12/08/2017	Extracted from Bylaws
06/29/2018	Staff reviewed, no content changes; updated format
04/12/2019	Policy Review section amended to at least once every three years
07/09/2021	Staff reviewed, no content changes

**Certification of Board Adoption:**

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Clerk of the Board	07/09/2021
	Date



# Retirement-Eligible Compensation Policy

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## I. Statement of Purpose

- A. This policy establishes a procedure for review of retirement-eligible compensation for SJCERA members.

## II. All Compensation Types Must Be Reviewed by SJCERA

- A. "Compensation Earnable" (Government Code Section 31461) and "Pensionable Compensation" (Government Code Section 7522.34) are used to determine the retirement contributions payable to SJCERA and the benefits payable by SJCERA to members and beneficiaries. For purposes of this policy, Compensation Earnable and Pensionable Compensation are collectively referred to as "Retirement-Eligible Compensation."
- B. Before a participating employer implements a new compensation type, SJCERA must determine if it qualifies as Retirement-Eligible Compensation. Participating employers must submit to SJCERA for review any new compensation type with sufficient detail to permit SJCERA to determine whether the compensation items will be considered Retirement-Eligible Compensation.

## III. SJCERA Staff Authority

- A. The CEO shall cause to be implemented a procedure to review new compensation types adopted by participating employers to determine whether the compensation type complies with statutory requirements and the practice or direction of the Board of Retirement ("Board"). Such procedure shall become effective only after counsel review and concurrence.
- B. Upon receiving information about the compensation items from participating employers, the CEO or designee shall determine whether such items should be excluded from Retirement-Eligible Compensation.
- C. If the compensation type is substantively the same as other, previously Board-approved compensation types and is not excluded by law, then the CEO or designee (with concurrence from counsel as necessary or appropriate) is authorized to include such compensation type as Retirement-Eligible Compensation. The CEO or designee shall present these new compensation types to the Board for ratification as set forth in Section IV(A).

**IV. Board Approval**

- A. The Board shall annually adopt and revise a resolution designating which compensation types shall be included in Retirement-Eligible Compensation.
- B. Any compensation types that do not meet the standards set forth in Section III(C) will be separately presented to the Board.

**V. Policy Review**

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance with applicable law. Any revisions or amendments to this policy must be approved by the Board.

History

- 02/09/2018 Adopted by Board of Retirement
- 06/29/2018 Staff updated format
- 04/12/2019 Policy Review section amended to at least once every three years
- 07/09/2021 Staff reviewed, no content changes

**Certification of Board Adoption**

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Clerk of the Board 07/09/2021  
Date



# Board of Retirement Meeting

San Joaquin County Employees' Retirement Association

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## Agenda Items 6.04

July 9, 2021

**SUBJECT: Board Policy Amendments**

**SUBMITTED FOR:   X   CONSENT      ACTION      INFORMATION**

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### RECOMMENDATION

Adopt the Administrative Committee's recommended amendments to the policies described below.

### PURPOSE

To amend the policies to ensure that they remain relevant, appropriate, and in compliance, per Section III.C of the Administrative Committee Charter.

### DISCUSSION

In accordance with the Board's requirement that staff review one-third of the policies annually, the following amendments are proposed:

- Annual Additions Limit – IRC 415(c) Policy – minor edits and other non-substantive changes by tax counsel
- Annual Benefits Limit – IRC 415(b) Policy – minor edits and other non-substantive changes by tax counsel
- Compensation Earnable Annual Limit – IRC 401(a)(17) – deleted the cost of living adjustment of \$260,000 for 2014 referenced in section II.A.1 of policy
- Document and Data Retention Policy – updated statutory reference, storage platform, and aligned with existing processes
- Final Compensation Review Policy – added the principals for review, clarified the administrative role and other non-substantive changes
- Required Minimum Distributions – IRC 401(a)(9) Policy – minor edits and other non-substantive changes by tax counsel
- Return to Work and Bona Fide Separation from Service – IRC 401(a) Policy – minor edits and other non-substantive changes by tax counsel
- Rollovers – IRC 401(a)(31) and 402(c) Policy – minor edits and other non-substantive changes by tax counsel

  
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JOHANNA SHICK

Chief Executive Officer

  
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GREG FRANK

Management Analyst III



## Board Administration Policy

# Annual Additions Limit - IRC 415(c)

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### I. Purpose

- A. This policy reaffirms and clarifies the existing practices of the Association with respect to annual additions limits under Internal Revenue Code section 415(c) and Treasury regulations issued thereunder.

### II. Definitions

A. **Solely for purposes of this policy, the following definitions shall apply:**

1. Account: "Account" means the separate Member account provided under the Association ~~that is thefor withdrawal~~ benefits ~~that are which is~~ separate and apart from the retirement benefits (annuity and pension) otherwise provided under the County Employees Retirement Law.
2. Affiliate: Solely to the extent provided in the Code with respect to public agencies, the term "Affiliate" means all members of a controlled group of an Employer.
3. Aggregated Plan: "Aggregated Plan" means any defined contribution plan which is aggregated with the Association pursuant to IV of this policy
4. Annual Additions: "Annual Additions" means the sum of the amounts described in subsection ~~1a.~~ credited to a Member's Account under the Association and any Aggregated Plans for the Limitation Year; and excludes the amounts described in subsection ~~2b.~~ below:
  - a. The term "Annual Additions" includes:
    - i. Employer contributions allocated to the Member's Account that is separate and apart from any pension or annuity benefits provided under the CERL or PEPRA;
    - ii. Employee contributions (after-tax), including mandatory contributions (as defined in Code section 411(c)(2)(C) and Treasury regulations issued thereunder), as well as voluntary employee contributions used to purchase permissive service credit (as defined in Code section 415(n)(3)), to the extent such service credit purchase is not prohibited under the CERL or PEPRA, if those amounts are treated as Annual Additions in the year contributed pursuant to Code section 415(n)(1).
    - iii. Forfeitures;
    - iv. Amounts allocated to the Member's individual medical account (within the meaning of Code section 415(l)(2), which is part of a pension or annuity plan maintained by the Employer or Affiliate, except that such amounts are not included in Annual Additions for purposes of applying the 100% of compensation limit.



- b. The term “Annual Additions” excludes:
- i. Redeposits of withdrawals as described in Code section 415(k)(3) (for example, to purchase restoration of an accrued benefit that was lost when accumulated member contributions were previously withdrawn) for the limitation year(s) in which the redeposit occurs;
  - ii. Catch-up contributions made in accordance with Code section 414(v);
  - iii. Restorative payment described in Treasury regulations section 1.415(c)-1(b)(2)(ii)(C);
  - iv. Excess deferrals that are distributed in accordance with Treasury regulations section 1.402(g)-1(e)(2) or (3);
  - v. Rollover contributions (as described in Code sections 401(a)(31), 402(c)(1), 403(a)(4), 403(b)(8), 408(d) and 457(e)(16));
  - vi. Loan repayments;
  - vii. Employee contributions to a qualified cost-of-living arrangement described in Code section 415(k)(2)(B);
  - viii. Make-up contributions attributable to a period of qualified military service, as defined in Code section 414(u), with respect to the year in which the contribution is made (but not with respect to the year to which the contribution relates); ~~and~~
  - ix. Employee contributions to purchase permissive service credit (as defined in Code section 415(n)(3)) to the extent such service credit purchase is allowed under the CERL and PEPRA and the accrued benefit derived from all such contributions is treated as an annual benefit subject to the limits of Code section 415(b); ~~and.~~
  - ~~ix-x.~~ Contributions that are picked up by an Employer under Code section 414(h)(2).
5. Employer: “Employer” means the governmental entity that participates in the Association in accordance with the CERL and employs the Member.
  6. Limitation Year: “Limitation Year” means the calendar year.
  7. Maximum Permissible Amount: “Maximum Permissible Amount” means the lesser of:
    - a. ~~\$52,000 (for 2014)~~ IRC Annual Limit, as adjusted for increases in the cost-of-living under Code section 415(d); or
    - b. 100 percent of the Member’s Total Compensation for the Limitation Year.
  8. Severance From Employment: “Severance From Employment” means the Member ceases to be an employee of the Employer. A Member does not

have a Severance From Employment if, in connection with a change of employment, the Member's new employer maintains the Association with respect to the Member.

9. Total Compensation: "Total Compensation" means all items of remuneration described in subsection "a" and excludes all items of remuneration described in subsection "b", below.

a. Items Included: Total Compensation includes all of the following items of remuneration for services:

- i. A Member's wages, salaries, fees for professional services, and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer and any Affiliate to the extent that the amounts are includable in gross income (or to the extent that amounts would have been includable in gross income but for an election under Code section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b)). These amounts include, but are not limited to, bonuses, fringe benefits, and reimbursements, or other expense allowances under a non-accountable plan, as described in Treasury regulations section 1.62-2(c);
- ii. Amounts described in Code section 104(a)(3), 105(a), or 105(h), but only to the extent that these amounts are includable in the gross income of the Member;
- iii. Amounts paid or reimbursed by the Employer or an Affiliate for moving expenses incurred by a Member, but only to the extent that at the time of the payment it is reasonable to believe that these amounts are not deductible by the Member under Code section 217;
- iv. The amount includable in the gross income of a Member upon making the election described in Code section 83(b);
- v. Amounts that are includable in the gross income of a Member under the rules of Code section 409A or Code section 457(f)(1)(A), or because the amounts are constructively received by the Member; and
- vi. An amount that is excludable under Code section 106 that is not available to a Member in cash in lieu of group health coverage because the Member is unable to certify that he or she has other health coverage; provided, however, that the Employer does not request or collect information regarding the Member's other health coverage as part of the enrollment process for the health plan.
- vii. Differential wage payments as defined in Internal Revenue Code section 3401(h)(2).

b. Items Excluded: The following items are excluded from Total Compensation:

- i. Employer contributions (other than elective contributions described in Code section 402(e)(3), 408(k)(6), 408(p)(2)(A)(i), or 457(b)) to a deferred compensation plan (including a simplified employee pension described in Code section 408(k) or a simple retirement account described in Code section 408(p), and whether or not qualified) to the extent such contributions are not includable in the Member's gross income for the taxable year in which contributed, and any distributions (whether or not includable in gross income when distributed) from a deferred compensation plan (whether or not qualified) other than amounts received during the year by a Member pursuant to a nonqualified unfunded deferred compensation plan to the extent includable in gross income;
- ii. Other amounts that receive special tax benefits, such as premiums for group term life insurance (but only to the extent that the premiums are excludable from the gross income of the Member, and are not salary reduction amounts that are described in Code section 125);
- iii. Other items of remuneration that are similar to any of the items listed in paragraphs "i" and "ii", above.

c. Timing

- i. In order to be taken into account for a Limitation Year, Total Compensation must be paid or made available (or, if earlier, includable in the gross income of the Member) during the Limitation Year. For this purpose, compensation is treated as paid on a date if it is actually paid on that date or it would have been paid on that date but for an election under Code section 125, 132(f)(4), 401(k), 403(b), 408(k), 408(p)(2)(A)(i), or 457(b)). The Association provides that Total Compensation for a Limitation Year includes amounts earned during the Limitation Year but not paid during the Limitation Year solely because of the timing of pay periods and pay dates if: (1) these amounts are paid during the first few weeks of the next Limitation Year; (2) the amounts are included on a uniform and consistent basis with respect to all similarly situated employees; and (3) no compensation is included in more than one Limitation Year.
- ii. In order to be taken into account for a Limitation Year, Total Compensation must be paid or treated as paid to the Member prior to the Member's Severance From Employment with the Employer; provided, however, that Total Compensation includes amounts paid to the Member by the later of 2½ months after Severance From Employment or the end of the Limitation Year if the amounts are regular compensation for services during the Member's regular working hours, compensation for services outside the Member's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar compensation that absent a Severance From Employment would have been paid to the Member

while the Member continued in employment with the Employer. The Association provides that the following amounts are includable in Total Compensation if paid by the later of 2½ months after severance from employment or the end of the Limitation Year if the amounts would have been included in Total Compensation if paid prior to Severance from Employment: (1) accrued bona fide sick, vacation or other leave is included in Total Compensation if the Member would have been able to use the leave had employment continued, and (2) payment pursuant to a nonqualified unfunded deferred compensation plan and would have been paid at the same time if employment had continued, but only to the extent includable in gross income.

- iii. Total Compensation does not include amounts paid after Severance From Employment that are severance pay, unfunded nonqualified deferred compensation, or any other payment that is not described in the preceding paragraph, even if paid within 2½ months, except for:
  - 1. Payments to an individual who does not currently perform services for the Employer by reason of Qualified Military Service to the extent that these payments do not exceed the amounts that the individual would have received if the individual had continued to perform services for the Employer rather than entering Qualified Military Service; and
  - 2. Payments to a Member who is permanently and totally disabled; provided, however that salary continuation applies to all Members who are permanently and totally disabled for a fixed or determinable period. For this purpose, a Member is permanently and totally disabled only if the Member is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than 12 months.
- d. Limit: A Member's Total Compensation shall not include compensation in excess of the limitation of Code section 401(a)(17) that is in effect for the calendar year in which such Limitation Year begins.

### **III. Annual Additions Limitation, In General**

- A. Notwithstanding anything to the contrary contained in the Association, the total Annual Additions allocated to a Member's Account under the Association, when added to the Annual Additions allocated to the Member's accounts under all other Aggregated Plans maintained by the Employer or an Affiliate for any Limitation Year, shall not exceed the Maximum Permissible Amount; provided, however, that the limit described in Section II.A.7.b shall not apply to an individual medical benefit account (as defined in Code section

415(l)).

**IV. Aggregation with Other Defined Contribution Plans**

- A. All defined contribution plans (as defined in Treasury regulations section 1.415(c)-1(a)(2) and whether or not terminated) maintained by the Employer or an Affiliate shall be aggregated with the Association, and all plans so aggregated shall be considered as one plan in applying the limitations of this policy.

**V. Coordination with Other Defined Contribution Plans**

- A. In the event that a Member participates in another defined contribution plan of the Employer or of an Affiliate that is a tax-qualified defined contribution plan, contributions or allocations that would otherwise be made on behalf of the Member to the Association shall be reduced to the extent necessary to avoid exceeding the limitations of this policy when contributions are aggregated as described above.

**VI. Correction**

- A. Any excess Annual Additions shall be corrected using the methods specified in guidance promulgated by the Secretary of the Treasury describing the procedures for correcting excess Annual Additions under the Employee Plans Compliance Resolution System (“EPCRS”) or its successor.

**VII. Code and Regulations Prevail**

- A. This policy is intended to be in accordance with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable law will govern.

**VIII. Policy Review**

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

**IX. History**

01/01/2015	Effective Date of Bylaw Section 27
12/08/2017	Extracted from Bylaws
06/29/2018	Staff reviewed, no content changes; updated format and resulting section cross-references
04/12/2019	Policy Review section amended to at least once every three years
<u>07/09/2021</u>	<u>Minor edits/updates by tax counsel</u>

**Certification of Board Adoption**

07/09/2021

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Clerk of the Board

Date



## Board Administration Policy

# Annual Additions Limit - IRC 415(c)

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### I. Purpose

- A. This policy reaffirms and clarifies the existing practices of the Association with respect to annual additions limits under Internal Revenue Code section 415(c) and Treasury regulations issued thereunder.

### II. Definitions

A. **Solely for purposes of this policy, the following definitions shall apply:**

1. Account: "Account" means the separate Member account provided under the Association for benefits that are separate and apart from the retirement benefits (annuity and pension) otherwise provided under the County Employees Retirement Law.
2. Affiliate: Solely to the extent provided in the Code with respect to public agencies, the term "Affiliate" means all members of a controlled group of an Employer.
3. Aggregated Plan: "Aggregated Plan" means any defined contribution plan which is aggregated with the Association pursuant to IV of this policy
4. Annual Additions: "Annual Additions" means the sum of the amounts described in subsection a. credited to a Member's Account under the Association and any Aggregated Plans for the Limitation Year; and excludes the amounts described in subsection b. below:
  - a. The term "Annual Additions" includes:
    - i. Employer contributions allocated to the Member's Account that is separate and apart from any pension or annuity benefits provided under the CERL or PEPRA;
    - ii. Employee contributions (after-tax), including mandatory contributions (as defined in Code section 411(c)(2)(C) and Treasury regulations issued thereunder), as well as voluntary employee contributions used to purchase permissive service credit (as defined in Code section 415(n)(3)), to the extent such service credit purchase is not prohibited under the CERL or PEPRA, if those amounts are treated as Annual Additions in the year contributed pursuant to Code section 415(n)(1).
    - iii. Forfeitures;
    - iv. Amounts allocated to the Member's individual medical account (within the meaning of Code section 415(l)(2), which is part of a pension or annuity plan maintained by the Employer or Affiliate, except that such amounts are not included in Annual Additions for purposes of applying the 100% of compensation limit.

- b. The term “Annual Additions” excludes:
- i. Redeposits of withdrawals as described in Code section 415(k)(3) (for example, to purchase restoration of an accrued benefit that was lost when accumulated member contributions were previously withdrawn) for the limitation year(s) in which the redeposit occurs;
  - ii. Catch-up contributions made in accordance with Code section 414(v);
  - iii. Restorative payment described in Treasury regulations section 1.415(c)-1(b)(2)(ii)(C);
  - iv. Excess deferrals that are distributed in accordance with Treasury regulations section 1.402(g)-1(e)(2) or (3);
  - v. Rollover contributions (as described in Code sections 401(a)(31), 402(c)(1), 403(a)(4), 403(b)(8), 408(d) and 457(e)(16));
  - vi. Loan repayments;
  - vii. Employee contributions to a qualified cost-of-living arrangement described in Code section 415(k)(2)(B);
  - viii. Make-up contributions attributable to a period of qualified military service, as defined in Code section 414(u), with respect to the year in which the contribution is made (but not with respect to the year to which the contribution relates);
  - ix. Employee contributions to purchase permissive service credit (as defined in Code section 415(n)(3)) to the extent such service credit purchase is allowed under the CERL and PEPRA and the accrued benefit derived from all such contributions is treated as an annual benefit subject to the limits of Code section 415(b); and
  - x. Contributions that are picked up by an Employer under Code section 414(h)(2).
5. Employer: “Employer” means the governmental entity that participates in the Association in accordance with the CERL and employs the Member.
6. Limitation Year: “Limitation Year” means the calendar year.
7. Maximum Permissible Amount: “Maximum Permissible Amount” means the lesser of:
- a. IRC Annual Limit , as adjusted for increases in the cost-of-living under Code section 415(d); or
  - b. 100 percent of the Member’s Total Compensation for the Limitation Year.
8. Severance From Employment: “Severance From Employment” means the Member ceases to be an employee of the Employer. A Member does not



have a Severance From Employment if, in connection with a change of employment, the Member's new employer maintains the Association with respect to the Member.

9. Total Compensation: "Total Compensation" means all items of remuneration described in subsection "a" and excludes all items of remuneration described in subsection "b", below.

a. Items Included: Total Compensation includes all of the following items of remuneration for services:

- i. A Member's wages, salaries, fees for professional services, and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Employer and any Affiliate to the extent that the amounts are includable in gross income (or to the extent that amounts would have been includable in gross income but for an election under Code section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k), or 457(b)). These amounts include, but are not limited to, bonuses, fringe benefits, and reimbursements, or other expense allowances under a non-accountable plan, as described in Treasury regulations section 1.62-2(c);
- ii. Amounts described in Code section 104(a)(3), 105(a), or 105(h), but only to the extent that these amounts are includable in the gross income of the Member;
- iii. Amounts paid or reimbursed by the Employer or an Affiliate for moving expenses incurred by a Member, but only to the extent that at the time of the payment it is reasonable to believe that these amounts are not deductible by the Member under Code section 217;
- iv. The amount includable in the gross income of a Member upon making the election described in Code section 83(b);
- v. Amounts that are includable in the gross income of a Member under the rules of Code section 409A or Code section 457(f)(1)(A), or because the amounts are constructively received by the Member; and
- vi. An amount that is excludable under Code section 106 that is not available to a Member in cash in lieu of group health coverage because the Member is unable to certify that he or she has other health coverage; provided, however, that the Employer does not request or collect information regarding the Member's other health coverage as part of the enrollment process for the health plan.
- vii. Differential wage payments as defined in Internal Revenue Code section 3401(h)(2).

b. Items Excluded: The following items are excluded from Total Compensation:

- i. Employer contributions (other than elective contributions described in Code section 402(e)(3), 408(k)(6), 408(p)(2)(A)(i), or 457(b)) to a deferred compensation plan (including a simplified employee pension described in Code section 408(k) or a simple retirement account described in Code section 408(p), and whether or not qualified) to the extent such contributions are not includable in the Member's gross income for the taxable year in which contributed, and any distributions (whether or not includable in gross income when distributed) from a deferred compensation plan (whether or not qualified) other than amounts received during the year by a Member pursuant to a nonqualified unfunded deferred compensation plan to the extent includable in gross income;
- ii. Other amounts that receive special tax benefits, such as premiums for group term life insurance (but only to the extent that the premiums are excludable from the gross income of the Member, and are not salary reduction amounts that are described in Code section 125);
- iii. Other items of remuneration that are similar to any of the items listed in paragraphs "i" and "ii", above.

c. Timing

- i. In order to be taken into account for a Limitation Year, Total Compensation must be paid or made available (or, if earlier, includable in the gross income of the Member) during the Limitation Year. For this purpose, compensation is treated as paid on a date if it is actually paid on that date or it would have been paid on that date but for an election under Code section 125, 132(f)(4), 401(k), 403(b), 408(k), 408(p)(2)(A)(i), or 457(b)). The Association provides that Total Compensation for a Limitation Year includes amounts earned during the Limitation Year but not paid during the Limitation Year solely because of the timing of pay periods and pay dates if: (1) these amounts are paid during the first few weeks of the next Limitation Year; (2) the amounts are included on a uniform and consistent basis with respect to all similarly situated employees; and (3) no compensation is included in more than one Limitation Year.
- ii. In order to be taken into account for a Limitation Year, Total Compensation must be paid or treated as paid to the Member prior to the Member's Severance From Employment with the Employer; provided, however, that Total Compensation includes amounts paid to the Member by the later of 2½ months after Severance From Employment or the end of the Limitation Year if the amounts are regular compensation for services during the Member's regular working hours, compensation for services outside the Member's regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar compensation that absent a Severance From Employment would have been paid to the Member

while the Member continued in employment with the Employer. The Association provides that the following amounts are includable in Total Compensation if paid by the later of 2½ months after severance from employment or the end of the Limitation Year if the amounts would have been included in Total Compensation if paid prior to Severance from Employment: (1) accrued bona fide sick, vacation or other leave is included in Total Compensation if the Member would have been able to use the leave had employment continued, and (2) payment pursuant to a nonqualified unfunded deferred compensation plan and would have been paid at the same time if employment had continued, but only to the extent includable in gross income.

- iii. Total Compensation does not include amounts paid after Severance From Employment that are severance pay, unfunded nonqualified deferred compensation, or any other payment that is not described in the preceding paragraph, even if paid within 2½ months, except for:
  - 1. Payments to an individual who does not currently perform services for the Employer by reason of Qualified Military Service to the extent that these payments do not exceed the amounts that the individual would have received if the individual had continued to perform services for the Employer rather than entering Qualified Military Service; and
  - 2. Payments to a Member who is permanently and totally disabled; provided, however that salary continuation applies to all Members who are permanently and totally disabled for a fixed or determinable period. For this purpose, a Member is permanently and totally disabled only if the Member is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted, or can be expected to last, for a continuous period of not less than 12 months.
- d. Limit: A Member's Total Compensation shall not include compensation in excess of the limitation of Code section 401(a)(17) that is in effect for the calendar year in which such Limitation Year begins.

### **III. Annual Additions Limitation, In General**

- A. Notwithstanding anything to the contrary contained in the Association, the total Annual Additions allocated to a Member's Account under the Association, when added to the Annual Additions allocated to the Member's accounts under all other Aggregated Plans maintained by the Employer or an Affiliate for any Limitation Year, shall not exceed the Maximum Permissible Amount; provided, however, that the limit described in Section II.A.7.b shall not apply to an individual medical benefit account (as defined in Code section

415(l)).

**IV. Aggregation with Other Defined Contribution Plans**

- A. All defined contribution plans (as defined in Treasury regulations section 1.415(c)-1(a)(2) and whether or not terminated) maintained by the Employer or an Affiliate shall be aggregated with the Association, and all plans so aggregated shall be considered as one plan in applying the limitations of this policy.

**V. Coordination with Other Defined Contribution Plans**

- A. In the event that a Member participates in another defined contribution plan of the Employer or of an Affiliate that is a tax-qualified defined contribution plan, contributions or allocations that would otherwise be made on behalf of the Member to the Association shall be reduced to the extent necessary to avoid exceeding the limitations of this policy when contributions are aggregated as described above.

**VI. Correction**

- A. Any excess Annual Additions shall be corrected using the methods specified in guidance promulgated by the Secretary of the Treasury describing the procedures for correcting excess Annual Additions under the Employee Plans Compliance Resolution System (“EPCRS”) or its successor.

**VII. Code and Regulations Prevail**

- A. This policy is intended to be in accordance with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable law will govern.

**VIII. Policy Review**

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

**IX. History**

- 01/01/2015 Effective Date of Bylaw Section 27
- 12/08/2017 Extracted from Bylaws
- 06/29/2018 Staff reviewed, no content changes; updated format and resulting section cross-references
- 04/12/2019 Policy Review section amended to at least once every three years
- 07/09/2021 Minor edits/updates by tax counsel

**Certification of Board Adoption**

07/09/2021

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Clerk of the Board

Date



## Board Administration Policy

# Annual Benefit Limit - IRC 415(b)

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### I. Purpose

- A. This policy reaffirms and clarifies the existing practices of the Association with respect to the annual benefit limit applicable for the Association in accordance with Internal Revenue Code section 415(b) and Treasury regulations issued thereunder.

### II. Definitions

- A. Annual Benefit: "Annual Benefit" means a benefit that is payable annually in the form of a Straight Life Annuity. Except as provided in Section III-A.5, where a benefit is payable in a form other than a Straight Life Annuity, the benefit shall be adjusted (solely for purposes of applying the limits of Code section 415 and of this policy) pursuant to Section III-A.7 to an actuarially equivalent Straight Life Annuity that begins at the same time as such other form of benefit and is payable on the first day of each month.
- B. Annual Benefit Limit: "Annual Benefit Limit" means the limit described in Section III-A.1.
- C. Annuity: "Annuity" for purposes of this policy does not mean "annuity" as defined in the County Employee Retirement Law but instead means a retirement benefit that is payable by the Association, as provided in Code section 415.
- D. Annuity Starting Date: "Annuity Starting Date" means the first day of the first period for which a retirement benefit is payable as an annuity or, in the case of a retirement benefit not payable in the form of an annuity, the first day on which all events have occurred which entitle the Member to payment under the Association.
- E. Applicable Interest Rate: "Applicable Interest Rate" means the "applicable interest rate" defined in Code section 417(e)(3)(C) and shall be such rate of interest determined as of the third month preceding the stability period, which shall be the calendar year containing the Annuity Starting Date for the distribution and for which the Applicable Interest Rate shall remain constant.
- F. Applicable Mortality Table: "Applicable Mortality Table" means the "applicable mortality table" defined in Code section 417(e)(3)(B).
- G. Employer: "Employer" means the governmental entity that participates in the Association in accordance with the CERL and employs the Member. The term "Employer" also includes any Affiliated Employer. Solely to the extent provided in the Code with respect to public agencies, the term "Affiliated Employer" means all members of a controlled group of an Employer.
- H. Limitation Year: "Limitation Year" means the calendar year.
- I. Spouse: Effective June 26, 2013, consistent with Federal tax rules, the term "Spouse" means a person who is lawfully married under California law, including

marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term “Spouse” does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).

- J. Straight Life Annuity: “Straight Life Annuity” means an Annuity payable in equal installments for the life of the member and terminating on the Member’s death.

### III. Annual Benefit Limit

#### A. Annual Benefit Limit, in General

##### 1. Annual Limit

- a. Unless the alternative limit described in Section III applies, the Annual Benefit payable to a Member under the Association at any time shall not exceed ~~the Annual IRC Limit \$210,000 (for 2014) or such other the dollar limit~~ specified under Code section 415(b)(1)(A)) automatically adjusted under Code section 415(d), effective January 1 of each year, as provided by the Internal Revenue Service.

##### 2. Maximum Payment

- a. If the benefit the Member would otherwise be paid in a Limitation Year would be in excess of the limit in subsection A.1 above, the benefit shall be limited to a benefit that does not exceed the limit.

##### 3. COLA Adjustment

- a. In the case of a Member who has had a severance from employment with the Employer, the Annual Benefit Limit applicable to the Member in any Limitation Year beginning after the date of severance shall be automatically adjusted under § 415(d) of the Code.

##### 4. Multiple Annuity Starting Dates

- a. For a Member who has or will have distributions commencing at more than one Annuity Starting Date, the Annual Benefit shall be determined as of each such Annuity Starting Date (and shall satisfy the limitations of this policy as of each such date), actuarially adjusting for past and future distributions of benefits commencing at the other Annuity Starting Dates.
- b. For this purpose, the determination of whether a new starting date has occurred shall be made in accordance with section 1.415(b)-1(b)(1)(iii)(B) and (C) of the Treasury regulations.

5. Actuarial Adjustment for Forms of Benefit

a. Except as provided in Section III-A.6, if the Member's benefit is payable in a form other than a Straight Life Annuity, then solely for purposes of applying the limits of Code section 415 and of this policy, the actuarially equivalent Straight Life Annuity shall be determined in accordance with paragraph a or b below, whichever is applicable.

i. Annuities: If the Member's benefit is payable in the form of a non-decreasing life annuity or other form of benefit described in Treasury regulation section 1.417(e)-1(d)(6) (e.g., other than a lump sum, installments, a decreasing annuity or a term certain), then the actuarially equivalent Straight Life Annuity is determined using the greater of:

1. The Straight Life Annuity (if any) payable to the Member under the Association commencing at the same annuity starting date as the form of benefit payable to the Member; or
2. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using:
  - a. A 5% interest assumption; and
  - b. The applicable Mortality Table.

i. Lump Sums, Installments, etc.: If the Member's benefit is payable in the form of a lump sum, installments, a decreasing annuity, term certain or other form of benefit not described in Treasury regulations section 1.417(e)-1(d)(6), then the Straight Life Annuity that is actuarially equivalent to the Member's form of benefit is equal to the greatest of:

1. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using the interest rate and the mortality table specified in the Association for adjusting benefits in the same form;
2. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using a 5.5 percent interest rate and the Applicable Mortality Table; or
3. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using the Applicable Interest Rate and the Applicable Mortality Table



divided by 1.05.

6. No Actual Adjustment (or Limitation) Required for Certain Benefits

- a. In determining the Annual Benefit, no actuarial adjustment to the benefit shall be made for the following benefits of benefit forms:
  - i. Qualified Joint And Survivor Annuity: Survivor benefits payable to a surviving Spouse under a joint and survivor annuity that would qualify as a qualified joint and survivor annuity defined in Code section 417(b). If benefits are paid partly in the form of a qualified joint and survivor annuity and partly in some other form (such as a single sum distribution), the rule of this paragraph applies only to the survivor annuity payments under the portion of the benefit that is paid in the form of a qualified joint and survivor annuity.
  - ii. Benefits that are not "Retirement Benefits": Benefits that are not directly related to retirement benefits (such as pre-retirement qualified disability benefits, preretirement incidental death benefits, and postretirement medical benefits). Additionally, these benefits shall not be subject to the Annual Benefit Limit.
  - iii. Certain Automatic Benefit Increases: Benefits that meet the following requirements: (a) the Association provides for automatic periodic increases such as a form of benefit that automatically increases the benefit paid according to a specified percentage or objective index (but not a benefit that is increased on an ad hoc basis or a basis that is separately determined by action of the Association's Board of Retirement or the County's Board of Supervisors) and (b) the form of benefit complies with Code section 415(b) without regard to the automatic benefit increase.

In no event shall the amount payable to the Member under the form of benefit in any Limitation Year be greater than the Annual Benefit Limit applicable at the Annuity Starting Date increased by the amounts provided in Code section 415(d). Also if the form of benefit without regard to the automatic benefit increase is not a Straight Life Annuity, then the Annual Benefit at the Annuity Starting Date is determined by converting the form of benefit to an actuarially equivalent Straight Life Annuity, as provided in Section III-B.1 herein.

7. Rules For Determining Annual Benefit

- a. Social Security Supplements, etc.: The determination of the Annual Benefit shall take into account social security supplements described in § 411(a)(9) of the Code and benefits transferred from another defined benefit plan, other than transfers of distributable benefits pursuant to section 1.411(d)-4, Q&A-3(c), of the Treasury regulations.
- b. Member Contributions: The determination of the Annual Benefit shall disregard benefits attributable to Member contributions or rollover contributions. Benefits attributable to Member contributions do not include

any benefits that are made on a pre-tax basis such as pickups under Code section 414(h)(2) or such as Member contributions that are actually paid by the Member's employer.

- c. Rollovers: The amount of any benefits attributable to Member contributions and to rollover contributions shall be determined in accordance with Code section 415.
- d. Voluntary Contributions: Member contributions that are defined as "voluntary" contributions under Code section 415 (such as certain contribution under CERL section 31627) are not subject to the limits of this policy but are subject to the limits of Code section 415(c) concerning defined contribution plans.

## B. Reduction for Less than 10 Years of Participation

### 1. Reduction

- a. If the Member has less than 10 Years of Participation in the Association, the Annual Benefit Limit shall be multiplied by a fraction -- (i) the numerator of which is the number of years (or part thereof, but not less than one year) of participation in the Association, and (ii) the denominator of which is 10.

### 2. Counting Years of Participation

- a. The Member is credited with a Year of Participation (computed to fractional parts of a year) for each accrual computation period for which the following conditions are met:
  - i. The Member is credited with at least the number of hours of service or period of service for benefit accrual purposes, required under the terms of the Association in order to accrue a benefit for the accrual computation period, and
  - ii. The Member is included as a Member under the eligibility provisions of the Association for at least one day of the accrual computation period.
- b. If these two conditions are met, the portion of a Year of Participation credited to the Member shall equal the portion of a year of benefit accrual service credited to the Member for such accrual computation period.
- c. A Member who is permanently and totally disabled within the meaning of §415(c)(3)(C)(i) of the Code for an accrual computation period shall receive a Year of Participation with respect to that period.
- d. In no event shall more than one Year of Participation be credited for any 12-month period. For example, if under the Association, a Member receives 1/10 of a year of benefit accrual service for an accrual computation period for each 200 hours of service, and the Member is credited with 1,000 hours of service for the period, the Member is credited with 1/2 year of participation for purposes of this subsection.

### 3. Disability and Death Benefits

- a. The reduction described in paragraph 1 above shall not apply to disability benefits or death benefits as provided in the Code.

## C. Reduction for Commencement before Age 62 for Certain Members

### 1. No Reduction for Certain Safety Members

- a. The adjustment described in this subsection shall not apply if the Member's benefit is based on at least 15 years as a full-time employee of any police or fire department of an Employer that maintains the Association or as a member of the armed forces of the United States. Such police or fire department must be organized to provide police protection, firefighting services or emergency medical services for any area within the jurisdiction of such Employer.

### 2. Reduction for Benefits Commencing before Age 62

- a. If the Member's benefits commence before the Member attains age 62, the Annual Benefit Limit is equal to the lesser of:
  - i. The Annual Benefit Limit reduced in accordance with Code section 415(b) to its actuarial equivalent using:
    1. The Applicable Mortality Table; and
    2. A 5% interest rate; or
  - ii. The Annual Benefit Limit multiplied by the ratio of the immediately commencing Straight Life Annuity under the Association at the Member's Annuity Starting Date to the annual amount of the Straight Life Annuity under the Association commencing at age 62, both determined without applying the limitations of this policy.

### 3. Probability of Death

- a. No adjustment will be made to the annual benefit limit to reflect the probability of death between the Annuity Starting Date and age 62 unless the Member's benefit is forfeited at death before the Annuity Starting Date.

### 4. Death and Disability

- a. The adjustment described in paragraph 1 of this subsection shall not apply to disability benefits or death benefits as provided in the Code.

## D. Increase for Commencement after Age 65

1. Increase for Commencement after 65: If the Member's benefits commence after the Member attains age 65, the Annual Benefit Limit is equal to the lesser of:
  - a. The Annual Benefit Limit increased in accordance with Code section 415(b) to its actuarial equivalent using:
    - i. The Applicable Mortality Table; and
    - ii. A 5% interest rate; or
  - b. The Annual Benefit Limit multiplied by the ratio of the annual amount

of the adjusted immediately commencing Straight Life Annuity under the Association at the Member's Annuity Starting Date to the annual amount of the adjusted immediately commencing Straight Life Annuity under the Association at age 65, both determined without applying the limitations of this policy. For this purpose, the adjusted immediately commencing Straight Life Annuity under the Association at the Member's Annuity Starting Date is the annual amount of such annuity payable to the Member, computed disregarding the Member's accruals after age 65 but including actuarial adjustments even if those actuarial adjustments are used to offset accruals; and the adjusted immediately commencing Straight Life Annuity under the Association at age 65 is the annual amount of such annuity that would be payable under the Association to a hypothetical Member who is age 65 and has the same accrued benefit as the Member.

2. Probability of Death: No adjustment will be made to the Annual Benefit Limit to reflect the probability of death between age 65 and the Annuity Starting Date unless the Member's benefit is forfeited at death before the Annuity Starting Date.

E. Minimum Benefit Permitted: The benefit otherwise accrued or payable to a Member under the Association is treated as not exceeding the Annual Benefit Limit if:

1. Minimum Benefit Limit Allowed

- a. The sum of the retirement benefits payable under any form of benefit with respect to the Member for the Limitation Year or for any prior Limitation Year under the Association and all other defined benefit plans (without regard to whether a plan has been terminated) ever maintained by the Member's Employer does not exceed \$10,000 multiplied by a fraction – (i) the numerator of which is the Member's number of years (or part thereof, but not less than one year) of service (not to exceed 10) with the Member's Employer or an Affiliated Employer, and (ii) the denominator of which is 10; and

2. Condition

- a. The Member has never participated in any qualified defined contribution plan maintained by the Member's Employer or an Affiliated Employer.

#### **IV. Participation in Multiple Defined Benefit Plans**

##### **A. Application of Limit to Aggregate Benefits**

1. If the Member is, or has ever been, a participant in another qualified defined benefit plan (without regard to whether the plan has been terminated) maintained by the Member's Employer, the sum of the participant's Annual Benefits from all such plans may not exceed the Annual Benefit Limit.

##### **B. Multiple Plan Benefit Limit Coordination**

1. Where the Member's employer-provided benefits under all such defined

benefit plans (determined as of the same age) would exceed the Annual Benefit Limit applicable at that age, the benefits accrued under all such other plans shall be reduced first in order to avoid exceeding the limit and shall be reduced under the Association, but if such other plan provides that it will be reduced, the reduction will be made in such other plan sufficient to avoid exceeding the limit.

## **V. Multiple Employer Plan**

- A. Employer-provided benefits attributable to the Member for all of the Employers participating in the Association are taken into account for purposes of applying the Annual Benefit Limit.

## **VI. Grandfather Rules**

### **A. Annual Benefit Limit Equals Accrued Benefit**

1. Notwithstanding anything herein to the contrary, the Annual Benefit Limit with respect to a Qualified Member shall not be less than the accrued benefit of the Qualified Member under the Association determined without regard to any amendment made after October 14, 1987.

### **B. Qualified Participant**

1. For purposes of this section, the term "Qualified Member" means a Member who first became a Member in the Association before January 1, 1990.

### **C. Election**

1. By the enactment of CERL section 31899 et. seq. the "grandfather" election under Code section 415(b)(10) was made for the Association and all retirement systems maintained under the CERL to have this Section VI. apply.

## **VII. Purchase of Permissive Service Credit**

### **A. General Rule**

1. To the extent a Member is not prohibited by the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), if a Member makes one or more contributions to the Association to purchase Permissive Service Credit under the Association, then the requirements of this policy will be treated as met only if:
  - a. The requirements of this policy are met, determined by treating the accrued benefit derived from all such contributions as an Annual Benefit for purposes of this policy; or
  - b. The requirements of SJCERA's Annual Benefit Limit policy governing the limits on annual additions IRC 415(c) applicable to defined contribution plans are met by treating all such contributions as annual additions.

## B. Permissive Service Credit

1. Permissive Service Credit Defined: For purposes of this Section, “Permissive Service Credit” means credit:
  - a. Recognized by the Association for purposes of calculating a Member’s benefit under the Association;
  - b. Which such Member has not received under the Association; and
  - c. Which the Member may receive only by making a voluntary additional contribution in an amount determined under the Association, which does not exceed the amount necessary to fund the benefit attributable to the service credit purchased.
  - d. Permissive Service Credit also includes service credit for periods for which there is no performance of service and, notwithstanding subparagraph b of this paragraph, may include service credited in order to provide an increased benefit for service credit which a Member is receiving under the Association, but only to the extent permitted by the statutes applicable to the Association and not prohibited by PEPRA.
2. Limitation on Nonqualified Service Credit: The Association will fail to satisfy the requirements of this policy if:
  - a. More than 5 years of Nonqualified Service Credit is taken into account for purposes of this Section; or
  - b. Any Nonqualified Service Credit is taken into account under this Section before the Member has at least 5 Years of Participation under the Association.
3. Nonqualified Service Credit: For purposes of paragraph 2 of this subsection, the term “Nonqualified Service Credit” means permissive service credit other than that allowed with respect to:
  - a. Service (including parental, medical, sabbatical, and similar leave) as an employee of the government of the United States, a State or political subdivision thereof, or any agency or instrumentality of any of the foregoing (other than military service or service for credit which was obtained as a result of repayment described in paragraph c below;
  - b. Service (including parental, medical, sabbatical, and similar leave) as an employee (other than as an employee described in subparagraph (a) of this paragraph) of an educational organization described in Code section 170(b)(1)(A)(ii) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed;
  - c. Service as an employee of an association of employees who are

described in paragraph a above; or

- d. Military service (other than qualified military service under Code section 414(u)) recognized by the Association.
- e. In the case of service described in paragraphs a, b or c above, such service will be nonqualified service if recognition of such service would cause a Member to receive a retirement benefit for the same period of service under more than one plan.
- f. Even if any proposed service credit purchase meets the above requirements, to the extent such proposed service credit purchase is prohibited under the terms of PEPRA, the Association will not process such service credit purchase.

#### 4. Trustee-To-Trustee Transfers

- a. In the case of a trustee-to-trustee transfer to the Association to which Code section 403(b)(13)(A) or 457(e)(17)(A) applies, (without regard to whether the transfer is made from a plan that is maintained by the same Employer):
  - i. The limitations of Section VII-B.2 shall not apply in determining whether the transfer is for the purchase of Permissive Service Credit; and
  - ii. The distribution rules applicable under the Code to the Association shall apply to such amounts and any benefits attributable to such amounts.

#### C. Redeposit of Withdrawals.

- 1. In the case of any repayment of accumulated members contributions [\(including interest thereon\)](#) to the Association with respect to an amount previously withdrawn upon a forfeiture of service credit under the Association or under another governmental plan maintained by a state or local government employer within the State of California, any such repayment shall not be taken into account for purposes of this policy.

### **VIII. The Code and Regulations Prevail**

A. This policy is intended to be in accordance with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable federal law will govern.

### **IX. Policy Review**

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

**X. History**

01/01/2015 Effective Date of Bylaw Section 26  
12/08/2017 Extracted from Bylaws  
06/29/2018 Staff reviewed, no content changes; updated format.  
04/12/2019 Policy Review section amended to at least once every three years  
07/09/2021 Minor edits by tax counsel

**Certification of Board Adoption**

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Clerk of the Board 07/09/2021  
Date





## Board Administration Policy

# Annual Benefit Limit - IRC 415(b)

---

### I. Purpose

- A. This policy reaffirms and clarifies the existing practices of the Association with respect to the annual benefit limit applicable for the Association in accordance with Internal Revenue Code section 415(b) and Treasury regulations issued thereunder.

### II. Definitions

- A. Annual Benefit: “Annual Benefit” means a benefit that is payable annually in the form of a Straight Life Annuity. Except as provided in Section III-A.5, where a benefit is payable in a form other than a Straight Life Annuity, the benefit shall be adjusted (solely for purposes of applying the limits of Code section 415 and of this policy) pursuant to Section III-A.7 to an actuarially equivalent Straight Life Annuity that begins at the same time as such other form of benefit and is payable on the first day of each month.
- B. Annual Benefit Limit: “Annual Benefit Limit” means the limit described in Section III-A.1.
- C. Annuity: “Annuity” for purposes of this policy does not mean “annuity” as defined in the County Employee Retirement Law but instead means a retirement benefit that is payable by the Association, as provided in Code section 415.
- D. Annuity Starting Date: “Annuity Starting Date” means the first day of the first period for which a retirement benefit is payable as an annuity or, in the case of a retirement benefit not payable in the form of an annuity, the first day on which all events have occurred which entitle the Member to payment under the Association.
- E. Applicable Interest Rate: “Applicable Interest Rate” means the “applicable interest rate” defined in Code section 417(e)(3)(C) and shall be such rate of interest determined as of the third month preceding the stability period, which shall be the calendar year containing the Annuity Starting Date for the distribution and for which the Applicable Interest Rate shall remain constant.
- F. Applicable Mortality Table: “Applicable Mortality Table” means the “applicable mortality table” defined in Code section 417(e)(3)(B).
- G. Employer: “Employer” means the governmental entity that participates in the Association in accordance with the CERL and employs the Member. The term “Employer” also includes any Affiliated Employer. Solely to the extent provided in the Code with respect to public agencies, the term “Affiliated Employer” means all members of a controlled group of an Employer.
- H. Limitation Year: “Limitation Year” means the calendar year.
- I. Spouse: Effective June 26, 2013, consistent with Federal tax rules, the term “Spouse” means a person who is lawfully married under California law, including

marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term “Spouse” does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).

- J. Straight Life Annuity: “Straight Life Annuity” means an Annuity payable in equal installments for the life of the member and terminating on the Member’s death.

### III. Annual Benefit Limit

#### A. Annual Benefit Limit, in General

##### 1. Annual Limit

- a. Unless the alternative limit described in Section III applies, the Annual Benefit payable to a Member under the Association at any time shall not exceed the [Annual IRC Limit](#) specified under Code section 415(b)(1)(A) , automatically adjusted under Code section 415(d), effective January 1 of each year, as provided by the Internal Revenue Service.

##### 2. Maximum Payment

- a. If the benefit the Member would otherwise be paid in a Limitation Year would be in excess of the limit in subsection A.1 above, the benefit shall be limited to a benefit that does not exceed the limit.

##### 3. COLA Adjustment

- a. In the case of a Member who has had a severance from employment with the Employer, the Annual Benefit Limit applicable to the Member in any Limitation Year beginning after the date of severance shall be automatically adjusted under § 415(d) of the Code.

##### 4. Multiple Annuity Starting Dates

- a. For a Member who has or will have distributions commencing at more than one Annuity Starting Date, the Annual Benefit shall be determined as of each such Annuity Starting Date (and shall satisfy the limitations of this policy as of each such date), actuarially adjusting for past and future distributions of benefits commencing at the other Annuity Starting Dates.
- b. For this purpose, the determination of whether a new starting date has occurred shall be made in accordance with section 1.415(b)-1(b)(1)(iii)(B) and (C) of the Treasury regulations.

5. Actuarial Adjustment for Forms of Benefit

- a. Except as provided in Section III-A.6, if the Member's benefit is payable in a form other than a Straight Life Annuity, then solely for purposes of applying the limits of Code section 415 and of this policy, the actuarially equivalent Straight Life Annuity shall be determined in accordance with paragraph a or b below, whichever is applicable.
  - i. Annuities: If the Member's benefit is payable in the form of a non-decreasing life annuity or other form of benefit described in Treasury regulation section 1.417(e)-1(d)(6) (e.g., other than a lump sum, installments, a decreasing annuity or a term certain), then the actuarially equivalent Straight Life Annuity is determined using the greater of:
    1. The Straight Life Annuity (if any) payable to the Member under the Association commencing at the same annuity starting date as the form of benefit payable to the Member; or
    2. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using:
      - a. A 5% interest assumption; and
      - b. The applicable Mortality Table.
  - i. Lump Sums, Installments, etc.: If the Member's benefit is payable in the form of a lump sum, installments, a decreasing annuity, term certain or other form of benefit not described in Treasury regulations section 1.417(e)-1(d)(6), then the Straight Life Annuity that is actuarially equivalent to the Member's form of benefit is equal to the greatest of:
    1. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using the interest rate and the mortality table specified in the Association for adjusting benefits in the same form;
    2. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using a 5.5 percent interest rate and the Applicable Mortality Table; or
    3. The annual amount of the Straight Life Annuity commencing at the same annuity starting date that has the same actuarial present value as the form of benefit payable to the Member computed using the Applicable Interest Rate and the Applicable Mortality Table

divided by 1.05.

6. No Actual Adjustment (or Limitation) Required for Certain Benefits

- a. In determining the Annual Benefit, no actuarial adjustment to the benefit shall be made for the following benefits of benefit forms:
  - i. Qualified Joint And Survivor Annuity: Survivor benefits payable to a surviving Spouse under a joint and survivor annuity that would qualify as a qualified joint and survivor annuity defined in Code section 417(b). If benefits are paid partly in the form of a qualified joint and survivor annuity and partly in some other form (such as a single sum distribution), the rule of this paragraph applies only to the survivor annuity payments under the portion of the benefit that is paid in the form of a qualified joint and survivor annuity.
  - ii. Benefits that are not "Retirement Benefits": Benefits that are not directly related to retirement benefits (such as pre-retirement qualified disability benefits, preretirement incidental death benefits, and postretirement medical benefits). Additionally, these benefits shall not be subject to the Annual Benefit Limit.
  - iii. Certain Automatic Benefit Increases: Benefits that meet the following requirements: (a) the Association provides for automatic periodic increases such as a form of benefit that automatically increases the benefit paid according to a specified percentage or objective index (but not a benefit that is increased on an ad hoc basis or a basis that is separately determined by action of the Association's Board of Retirement or the County's Board of Supervisors) and (b) the form of benefit complies with Code section 415(b) without regard to the automatic benefit increase.

In no event shall the amount payable to the Member under the form of benefit in any Limitation Year be greater than the Annual Benefit Limit applicable at the Annuity Starting Date increased by the amounts provided in Code section 415(d). Also if the form of benefit without regard to the automatic benefit increase is not a Straight Life Annuity, then the Annual Benefit at the Annuity Starting Date is determined by converting the form of benefit to an actuarially equivalent Straight Life Annuity, as provided in Section III-B.1 herein.

7. Rules For Determining Annual Benefit

- a. Social Security Supplements, etc.: The determination of the Annual Benefit shall take into account social security supplements described in § 411(a)(9) of the Code and benefits transferred from another defined benefit plan, other than transfers of distributable benefits pursuant to section 1.411(d)-4, Q&A-3(c), of the Treasury regulations.
- b. Member Contributions: The determination of the Annual Benefit shall disregard benefits attributable to Member contributions or rollover contributions. Benefits attributable to Member contributions do not include

any benefits that are made on a pre-tax basis such as pickups under Code section 414(h)(2) or such as Member contributions that are actually paid by the Member's employer.

- c. Rollovers: The amount of any benefits attributable to Member contributions and to rollover contributions shall be determined in accordance with Code section 415.
- d. Voluntary Contributions: Member contributions that are defined as "voluntary" contributions under Code section 415 (such as certain contribution under CERL section 31627) are not subject to the limits of this policy but are subject to the limits of Code section 415(c) concerning defined contribution plans.

## B. Reduction for Less than 10 Years of Participation

### 1. Reduction

- a. If the Member has less than 10 Years of Participation in the Association, the Annual Benefit Limit shall be multiplied by a fraction -- (i) the numerator of which is the number of years (or part thereof, but not less than one year) of participation in the Association, and (ii) the denominator of which is 10.

### 2. Counting Years of Participation

- a. The Member is credited with a Year of Participation (computed to fractional parts of a year) for each accrual computation period for which the following conditions are met:
  - i. The Member is credited with at least the number of hours of service or period of service for benefit accrual purposes, required under the terms of the Association in order to accrue a benefit for the accrual computation period, and
  - ii. The Member is included as a Member under the eligibility provisions of the Association for at least one day of the accrual computation period.
- b. If these two conditions are met, the portion of a Year of Participation credited to the Member shall equal the portion of a year of benefit accrual service credited to the Member for such accrual computation period.
- c. A Member who is permanently and totally disabled within the meaning of §415(c)(3)(C)(i) of the Code for an accrual computation period shall receive a Year of Participation with respect to that period.
- d. In no event shall more than one Year of Participation be credited for any 12-month period. For example, if under the Association, a Member receives 1/10 of a year of benefit accrual service for an accrual computation period for each 200 hours of service, and the Member is credited with 1,000 hours of service for the period, the Member is credited with 1/2 year of participation for purposes of this subsection.

### 3. Disability and Death Benefits

- a. The reduction described in paragraph 1 above shall not apply to disability benefits or death benefits as provided in the Code.

## C. Reduction for Commencement before Age 62 for Certain Members

### 1. No Reduction for Certain Safety Members

- a. The adjustment described in this subsection shall not apply if the Member's benefit is based on at least 15 years as a full-time employee of any police or fire department of an Employer that maintains the Association or as a member of the armed forces of the United States. Such police or fire department must be organized to provide police protection, firefighting services or emergency medical services for any area within the jurisdiction of such Employer.

### 2. Reduction for Benefits Commencing before Age 62

- a. If the Member's benefits commence before the Member attains age 62, the Annual Benefit Limit is equal to the lesser of:
  - i. The Annual Benefit Limit reduced in accordance with Code section 415(b) to its actuarial equivalent using:
    1. The Applicable Mortality Table; and
    2. A 5% interest rate; or
  - ii. The Annual Benefit Limit multiplied by the ratio of the immediately commencing Straight Life Annuity under the Association at the Member's Annuity Starting Date to the annual amount of the Straight Life Annuity under the Association commencing at age 62, both determined without applying the limitations of this policy.

### 3. Probability of Death

- a. No adjustment will be made to the annual benefit limit to reflect the probability of death between the Annuity Starting Date and age 62 unless the Member's benefit is forfeited at death before the Annuity Starting Date.

### 4. Death and Disability

- a. The adjustment described in paragraph 1 of this subsection shall not apply to disability benefits or death benefits as provided in the Code.

## D. Increase for Commencement after Age 65

1. Increase for Commencement after 65: If the Member's benefits commence after the Member attains age 65, the Annual Benefit Limit is equal to the lesser of:
  - a. The Annual Benefit Limit increased in accordance with Code section 415(b) to its actuarial equivalent using:
    - i. The Applicable Mortality Table; and
    - ii. A 5% interest rate; or
  - b. The Annual Benefit Limit multiplied by the ratio of the annual amount

of the adjusted immediately commencing Straight Life Annuity under the Association at the Member's Annuity Starting Date to the annual amount of the adjusted immediately commencing Straight Life Annuity under the Association at age 65, both determined without applying the limitations of this policy. For this purpose, the adjusted immediately commencing Straight Life Annuity under the Association at the Member's Annuity Starting Date is the annual amount of such annuity payable to the Member, computed disregarding the Member's accruals after age 65 but including actuarial adjustments even if those actuarial adjustments are used to offset accruals; and the adjusted immediately commencing Straight Life Annuity under the Association at age 65 is the annual amount of such annuity that would be payable under the Association to a hypothetical Member who is age 65 and has the same accrued benefit as the Member.

2. Probability of Death: No adjustment will be made to the Annual Benefit Limit to reflect the probability of death between age 65 and the Annuity Starting Date unless the Member's benefit is forfeited at death before the Annuity Starting Date.

E. Minimum Benefit Permitted: The benefit otherwise accrued or payable to a Member under the Association is treated as not exceeding the Annual Benefit Limit if:

1. Minimum Benefit Limit Allowed

- a. The sum of the retirement benefits payable under any form of benefit with respect to the Member for the Limitation Year or for any prior Limitation Year under the Association and all other defined benefit plans (without regard to whether a plan has been terminated) ever maintained by the Member's Employer does not exceed \$10,000 multiplied by a fraction – (i) the numerator of which is the Member's number of years (or part thereof, but not less than one year) of service (not to exceed 10) with the Member's Employer or an Affiliated Employer, and (ii) the denominator of which is 10; and

2. Condition

- a. The Member has never participated in any qualified defined contribution plan maintained by the Member's Employer or an Affiliated Employer.

#### **IV. Participation in Multiple Defined Benefit Plans**

##### **A. Application of Limit to Aggregate Benefits**

1. If the Member is, or has ever been, a participant in another qualified defined benefit plan (without regard to whether the plan has been terminated) maintained by the Member's Employer, the sum of the participant's Annual Benefits from all such plans may not exceed the Annual Benefit Limit.

##### **B. Multiple Plan Benefit Limit Coordination**

1. Where the Member's employer-provided benefits under all such defined

benefit plans (determined as of the same age) would exceed the Annual Benefit Limit applicable at that age, the benefits accrued under all such other plans shall be reduced first in order to avoid exceeding the limit and shall be reduced under the Association, but if such other plan provides that it will be reduced, the reduction will be made in such other plan sufficient to avoid exceeding the limit.

## **V. Multiple Employer Plan**

- A. Employer-provided benefits attributable to the Member for all of the Employers participating in the Association are taken into account for purposes of applying the Annual Benefit Limit.

## **VI. Grandfather Rules**

### **A. Annual Benefit Limit Equals Accrued Benefit**

1. Notwithstanding anything herein to the contrary, the Annual Benefit Limit with respect to a Qualified Member shall not be less than the accrued benefit of the Qualified Member under the Association determined without regard to any amendment made after October 14, 1987.

### **B. Qualified Participant**

1. For purposes of this section, the term "Qualified Member" means a Member who first became a Member in the Association before January 1, 1990.

### **C. Election**

1. By the enactment of CERL section 31899 et. seq. the "grandfather" election under Code section 415(b)(10) was made for the Association and all retirement systems maintained under the CERL to have this Section VI. apply.

## **VII. Purchase of Permissive Service Credit**

### **A. General Rule**

1. To the extent a Member is not prohibited by the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), if a Member makes one or more contributions to the Association to purchase Permissive Service Credit under the Association, then the requirements of this policy will be treated as met only if:
  - a. The requirements of this policy are met, determined by treating the accrued benefit derived from all such contributions as an Annual Benefit for purposes of this policy; or
  - b. The requirements of SJCERA's Annual Benefit Limit policy governing the limits on annual additions IRC 415(c) applicable to defined contribution plans are met by treating all such contributions as annual additions.



## B. Permissive Service Credit

1. Permissive Service Credit Defined: For purposes of this Section, “Permissive Service Credit” means credit:
  - a. Recognized by the Association for purposes of calculating a Member’s benefit under the Association;
  - b. Which such Member has not received under the Association; and
  - c. Which the Member may receive only by making a voluntary additional contribution in an amount determined under the Association, which does not exceed the amount necessary to fund the benefit attributable to the service credit purchased.
  - d. Permissive Service Credit also includes service credit for periods for which there is no performance of service and, notwithstanding subparagraph b of this paragraph, may include service credited in order to provide an increased benefit for service credit which a Member is receiving under the Association, but only to the extent permitted by the statutes applicable to the Association and not prohibited by PEPRA.
2. Limitation on Nonqualified Service Credit: The Association will fail to satisfy the requirements of this policy if:
  - a. More than 5 years of Nonqualified Service Credit is taken into account for purposes of this Section; or
  - b. Any Nonqualified Service Credit is taken into account under this Section before the Member has at least 5 Years of Participation under the Association.
3. Nonqualified Service Credit: For purposes of paragraph 2 of this subsection, the term “Nonqualified Service Credit” means permissive service credit other than that allowed with respect to:
  - a. Service (including parental, medical, sabbatical, and similar leave) as an employee of the government of the United States, a State or political subdivision thereof, or any agency or instrumentality of any of the foregoing (other than military service or service for credit which was obtained as a result of repayment described in paragraph c below;
  - b. Service (including parental, medical, sabbatical, and similar leave) as an employee (other than as an employee described in subparagraph (a) of this paragraph) of an educational organization described in Code section 170(b)(1)(A)(ii) which is a public, private, or sectarian school which provides elementary or secondary education (through grade 12), or a comparable level of education, as determined under the applicable law of the jurisdiction in which the service was performed;
  - c. Service as an employee of an association of employees who are

described in paragraph a above; or

- d. Military service (other than qualified military service under Code section 414(u)) recognized by the Association.
- e. In the case of service described in paragraphs a, b or c above, such service will be nonqualified service if recognition of such service would cause a Member to receive a retirement benefit for the same period of service under more than one plan.
- f. Even if any proposed service credit purchase meets the above requirements, to the extent such proposed service credit purchase is prohibited under the terms of PEPRA, the Association will not process such service credit purchase.

#### 4. Trustee-To-Trustee Transfers

- a. In the case of a trustee-to-trustee transfer to the Association to which Code section 403(b)(13)(A) or 457(e)(17)(A) applies, (without regard to whether the transfer is made from a plan that is maintained by the same Employer):
  - i. The limitations of Section VII-B.2 shall not apply in determining whether the transfer is for the purchase of Permissive Service Credit; and
  - ii. The distribution rules applicable under the Code to the Association shall apply to such amounts and any benefits attributable to such amounts.

#### C. Redeposit of Withdrawals.

- 1. In the case of any repayment of accumulated members contributions (including interest thereon) to the Association with respect to an amount previously withdrawn upon a forfeiture of service credit under the Association or under another governmental plan maintained by a state or local government employer within the State of California, any such repayment shall not be taken into account for purposes of this policy.

### **VIII. The Code and Regulations Prevail**

- A. This policy is intended to be in accordance with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable federal law will govern.

### **IX. Policy Review**

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

**X. History**

01/01/2015	Effective Date of Bylaw Section 26
12/08/2017	Extracted from Bylaws
06/29/2018	Staff reviewed, no content changes; updated format.
04/12/2019	Policy Review section amended to at least once every three years
07/09/2021	Minor edits by tax counsel

**Certification of Board Adoption**

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	07/09/2021
Clerk of the Board	Date



## Board Administration Policy

# Compensation Earnable Annual Limit – IRC 401(a)(17)

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### I. Purpose

- A. This policy reaffirms and clarifies the existing practices of the Association with respect to the limit on annual compensation earnable under Internal Revenue Code section 401(a)(17) and Treasury regulations issued thereunder.

### II. Limitation On Annual Compensation Earnable

#### A. In General

##### 1. Annual Compensation Earnable Limit

The annual amount of compensation that is taken into account in determining all benefits provided by the Association to affected Members for any year, which is referred to in the CERL and in this policy as “Compensation Earnable”, shall in no event be greater than the amount allowed by Code section 401(a)(17) adjusted in accordance with the Code for increases in the cost of living. ~~This limit has been increased by cost of living adjustments to \$260,000 for 2014.~~ This limit is called the Annual Compensation Earnable Limit in this policy. (Certain Members may also be subject to the limitation on Pensionable Compensation under PEPRRA section 7522.10(c) and (d) which would produce a lower limit than the limit under Code section 401(a)(17).)

##### 2. Members Affected by the Annual Limit

###### a. Not Applicable to Pre-January 1, 1996 for Association Members

The Annual Compensation Earnable Limit does not apply to any individual who first became a Member of the Association prior to January 1, 1996.

###### b. Applies to New Members of the Association on and after January 1, 1996

In accordance with CERL section 31671, the Annual Compensation Earnable Limit shall apply to all individuals who first become Members of the Association on or after January 1, 1996.

###### c. Date First Becomes a Member

An individual first becomes a Member on the date that a Member first became a Member in the Association, regardless of whether the Member terminated and resumed participation in the Association at a later date.

#### B. Operation Rules, In General

This section applies to members who are not grandfathered under Section II.A.2.a.

##### 1. Limited Compensation Earnable

All Compensation Earnable that would be taken into account for determining benefits provided by the Association without regard to this policy is subject to the Annual Compensation Earnable Limit. Such Compensation Earnable is not limited to salary or to base salary.

2. Benefits Affected by the Limit

The Annual Compensation Earnable Limit applies to the determination of all benefits provided by the Association including pensions, annuities, retirement allowances, death benefits, disability benefits, refunds and withdrawals that are determined by member contributions (including such contributions that are or may have been in the past “picked up” by the employer) under Code 414(h)(2) and earnings thereon.

3. Compensation Earnable from More Than One Employer

If Compensation Earnable from more than one employer that participates in the Association is taken into account in determining a Member’s benefits, the Annual Compensation Earnable Limit shall apply separately to the Compensation Earnable from each employer. For example, if the Compensation Earnable Limit is \$260,000 for the year and the Member has Compensation Earnable of \$200,000 from one participating employer and \$100,000 from another participating employer, the unreduced total Compensation Earnable from each employer may be taken into account. The Annual Compensation Earnable Limit does not apply to the aggregate of Compensation Earnable earned from all employers that participate in the Association.

4. Proration for Short Plan Year

If a plan year consists of fewer than 12 months, the Annual Compensation Earnable Limit is an amount equal to the otherwise applicable Annual Compensation Earnable Limit multiplied by a fraction, the numerator of which is the number of months in the short plan year, and the denominator of which is 12. No proration is required for participation of less than a full plan year.

5. Reciprocity and New Membership in the Association

An individual who becomes a Member of the Association on or after January 1, 1996, and who has reciprocity with another public sector retirement plan nevertheless is a new Member of the Association. Membership before January 1, 1996 in another retirement plan with which the Association has reciprocity does not create pre-January 1, 1996 Association membership for purposes of the Annual Compensation Earnable Limit.

6. Reciprocity and Prior Membership in the Association

A person who was a grandfathered Member of the Association prior to January 1, 1996 under Section II.A.2.a who terminated employment with an employer that participated in the Association, remains a Member of the Association prior to January 1, 1996. Therefore, if the Member established reciprocity between another public sector retirement plan and the Association, any higher

Compensation Earnable that is earned under the other plan shall be taken into account by the Association in accordance with the rules of reciprocity and that Compensation Earnable shall not be limited by the Annual Compensation Earnable Limit.

7. Relationship between 415 Limit and Compensation Earnable Limit

The limits of Code section 415 and Code section 401(a)(17) are separate and independent. Each limit is operated according to its own rules and applies separately. Therefore, the Annual Compensation Earnable Limit may apply to a Member and the Code section 415 limit may not apply. Similarly, the Code section 415 limit may apply to a Member and the Annual Compensation Earnable Limit may not apply. Also, both of these limits may apply to the same Member.

8. Clarification Concerning Member Contributions

Because Member contributions are the basis for benefits provided by the Association, Member contributions shall not be made by taking into account Compensation Earnable in excess of the Annual Compensation Earnable Limit. To the extent the provisions of PEPRA, including section 7522.10(h), include greater limitations on the manner in which Member contributions may be calculated, such limits shall apply to the calculation of Member contributions.

9. General Plan Year Rule for Determining the Limit

If Compensation Earnable for any prior plan year is taken into account in determining a Member's benefits for the current plan year, the Compensation Earnable for such prior plan year is subject to the applicable Annual Compensation Earnable Limit in effect for that prior plan year. In addition, in determining benefits for plan years beginning on or after January 1, 2002, the Annual Compensation Earnable Limit in effect for plan years beginning before that date is \$200,000.

**III. Plan Year and Cost of Living Adjustments**

A. Annual Adjustment for Cost-of-Living Increases

The Annual Compensation Earnable Limit may be adjusted annually by the Internal Revenue Service for cost of living changes in accordance with the Code.

B. General Rule-Application of Limit to a Plan Year

In general, the Annual Compensation Earnable Limit is applied to the Compensation Earnable for the plan year on which accruals of benefits from the Association are based.

C. Plan Year Compensation Earnable

## 1. General Rule

To the extent that the Association determines Compensation Earnable for benefit accruals for a plan year based on Compensation Earnable for the plan year, then the Annual Compensation Earnable limit that applies for the plan year is the limit in effect for the calendar year in which the plan year begins. Since the Association's plan year corresponds to the calendar year, the Compensation Earnable used to determine all benefit accruals for each plan year is limited to the Annual Compensation Earnable Limit in effect as of January 1 of the calendar year that coincides with that plan year.

## 2. Member Contributions

Since the Association's plan year corresponds to the calendar year, the Compensation Earnable used to determine Member contributions for each plan year shall be limited to the Annual Compensation Earnable Limit in effect as of January 1 of the calendar year that coincides with the plan year.

## D. Examples

### 1. Example – Retirement Allowance

The retirement allowance provided by the Association for certain Members is based on the highest 12 consecutive months of Compensation Earnable ending within the plan year. The Annual Compensation Earnable Limit was \$250,000 for the 2012 calendar year and \$255,000 for the 2013 calendar year. A Member retires in May 2013. The Member's highest 12 consecutive months of Compensation Earnable is for the period May 1, 2012 through April 30, 2013. The annual Compensation Earnable used for determining this Member's benefits for the 2013 year is limited to \$250,000, not \$255,000, because this is the limit in effect for the calendar year in which the 12-consecutive month period began.

For some Members of the Association, including Members subject to the requirements enacted under PEPRA, the retirement allowance provided by the Association is based on the highest 36 consecutive months of Compensation Earnable ending within the plan year. The Annual Compensation Earnable Limit was \$245,000 for 2011, \$250,000 for 2012, and \$255,000 for 2013. A Member retires in May 2014. The Member has \$300,000 per year (\$25,000 per month) of Compensation Earnable during the Member's highest 36 consecutive months of Compensation Earnable for the period May 1, 2011 through April 30, 2014. The Association may not base the Member's benefits for 2014 on annual Compensation Earnable in excess of \$250,000, the average of the limits in effect for each of the three 12-consecutive month periods: the May 1, 2011 through April 30, 2012 period is capped at \$245,000, the 2011 limit; the May 1, 2012 through April 30, 2013 is capped at \$250,000, the 2012 limit; and the May 1, 2013 through April 30, 2014 is capped at \$255,000, the 2013 limit. The average of these capped amounts, \$250,000, is the Annual Compensation Earnable Limit for determining benefits for the 2014 plan year for a member who retires in May, 2014 because that is the average limit for the three

calendar years in which the member's average 36 consecutive months of compensation earnable begins.

2. Example – Member Contributions

The refund or withdrawal benefits from Member contributions are accrued on an annual basis. The Annual Compensation Earnable Limit was \$245,000 for the 2011 calendar year; \$250,000 for the 2012 calendar year; and \$255,000 for the 2013 calendar year.

Since the Association's plan year corresponds to the calendar year, the Annual Compensation Earnable Limit for Member contributions was \$245,000 for the 2011 plan year; \$250,000 for the 2012 plan year; and \$255,000 for the 2013 plan year.

**IV.** This policy is intended to be in accordance with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable law will govern.

**V. Policy Review**

Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance.

**VI. History**

01/01/2015	Effective Date of Bylaw Section 21
12/08/2017	Extracted from Bylaws into policy
07/06/2018	Staff reviewed, no content changes
04/12/2019	Policy Review section amended to at least once every three years
<u>07/09/2021</u>	<u>Staff deleted the cost of living adjustment of \$260,000 for 2014 referenced in II.A.1</u>

**Certification of Board Adoption**

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Clerk of the Board	07/09/2021 Date
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## Board Administration Policy

# Compensation Earnable Annual Limit – IRC 401(a)(17)

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### I. Purpose

- A. This policy reaffirms and clarifies the existing practices of the Association with respect to the limit on annual compensation earnable under Internal Revenue Code section 401(a)(17) and Treasury regulations issued thereunder.

### II. Limitation On Annual Compensation Earnable

#### A. In General

##### 1. Annual Compensation Earnable Limit

The annual amount of compensation that is taken into account in determining all benefits provided by the Association to affected Members for any year, which is referred to in the CERL and in this policy as “Compensation Earnable”, shall in no event be greater than the amount allowed by Code section 401(a)(17) adjusted in accordance with the Code for increases in the cost of living.. This limit is called the Annual Compensation Earnable Limit in this policy. (Certain Members may also be subject to the limitation on Pensionable Compensation under PEPRA section 7522.10(c) and (d) which would produce a lower limit than the limit under Code section 401(a)(17).)

##### 2. Members Affected by the Annual Limit

###### a. Not Applicable to Pre-January 1, 1996 for Association Members

The Annual Compensation Earnable Limit does not apply to any individual who first became a Member of the Association prior to January 1, 1996.

###### b. Applies to New Members of the Association on and after January 1, 1996

In accordance with CERL section 31671, the Annual Compensation Earnable Limit shall apply to all individuals who first become Members of the Association on or after January 1, 1996.

###### c. Date First Becomes a Member

An individual first becomes a Member on the date that a Member first became a Member in the Association, regardless of whether the Member terminated and resumed participation in the Association at a later date.

#### B. Operation Rules, In General

This section applies to members who are not grandfathered under Section II.A.2.a.

##### 1. Limited Compensation Earnable

All Compensation Earnable that would be taken into account for determining benefits provided by the Association without regard to this policy is subject to the Annual Compensation Earnable Limit. Such Compensation Earnable is not limited to salary or to base salary.

2. Benefits Affected by the Limit

The Annual Compensation Earnable Limit applies to the determination of all benefits provided by the Association including pensions, annuities, retirement allowances, death benefits, disability benefits, refunds and withdrawals that are determined by member contributions (including such contributions that are or may have been in the past “picked up” by the employer) under Code 414(h)(2) and earnings thereon.

3. Compensation Earnable from More Than One Employer

If Compensation Earnable from more than one employer that participates in the Association is taken into account in determining a Member’s benefits, the Annual Compensation Earnable Limit shall apply separately to the Compensation Earnable from each employer. For example, if the Compensation Earnable Limit is \$260,000 for the year and the Member has Compensation Earnable of \$200,000 from one participating employer and \$100,000 from another participating employer, the unreduced total Compensation Earnable from each employer may be taken into account. The Annual Compensation Earnable Limit does not apply to the aggregate of Compensation Earnable earned from all employers that participate in the Association.

4. Proration for Short Plan Year

If a plan year consists of fewer than 12 months, the Annual Compensation Earnable Limit is an amount equal to the otherwise applicable Annual Compensation Earnable Limit multiplied by a fraction, the numerator of which is the number of months in the short plan year, and the denominator of which is 12. No proration is required for participation of less than a full plan year.

5. Reciprocity and New Membership in the Association

An individual who becomes a Member of the Association on or after January 1, 1996, and who has reciprocity with another public sector retirement plan nevertheless is a new Member of the Association. Membership before January 1, 1996 in another retirement plan with which the Association has reciprocity does not create pre-January 1, 1996 Association membership for purposes of the Annual Compensation Earnable Limit.

6. Reciprocity and Prior Membership in the Association

A person who was a grandfathered Member of the Association prior to January 1, 1996 under Section II.A.2.a who terminated employment with an employer that participated in the Association, remains a Member of the Association prior to January 1, 1996. Therefore, if the Member established reciprocity between another public sector retirement plan and the Association, any higher

Compensation Earnable that is earned under the other plan shall be taken into account by the Association in accordance with the rules of reciprocity and that Compensation Earnable shall not be limited by the Annual Compensation Earnable Limit.

7. Relationship between 415 Limit and Compensation Earnable Limit

The limits of Code section 415 and Code section 401(a)(17) are separate and independent. Each limit is operated according to its own rules and applies separately. Therefore, the Annual Compensation Earnable Limit may apply to a Member and the Code section 415 limit may not apply. Similarly, the Code section 415 limit may apply to a Member and the Annual Compensation Earnable Limit may not apply. Also, both of these limits may apply to the same Member.

8. Clarification Concerning Member Contributions

Because Member contributions are the basis for benefits provided by the Association, Member contributions shall not be made by taking into account Compensation Earnable in excess of the Annual Compensation Earnable Limit. To the extent the provisions of PEPRA, including section 7522.10(h), include greater limitations on the manner in which Member contributions may be calculated, such limits shall apply to the calculation of Member contributions.

9. General Plan Year Rule for Determining the Limit

If Compensation Earnable for any prior plan year is taken into account in determining a Member's benefits for the current plan year, the Compensation Earnable for such prior plan year is subject to the applicable Annual Compensation Earnable Limit in effect for that prior plan year. In addition, in determining benefits for plan years beginning on or after January 1, 2002, the Annual Compensation Earnable Limit in effect for plan years beginning before that date is \$200,000.

**III. Plan Year and Cost of Living Adjustments**

A. Annual Adjustment for Cost-of-Living Increases

The Annual Compensation Earnable Limit may be adjusted annually by the Internal Revenue Service for cost of living changes in accordance with the Code.

B. General Rule-Application of Limit to a Plan Year

In general, the Annual Compensation Earnable Limit is applied to the Compensation Earnable for the plan year on which accruals of benefits from the Association are based.

C. Plan Year Compensation Earnable

## 1. General Rule

To the extent that the Association determines Compensation Earnable for benefit accruals for a plan year based on Compensation Earnable for the plan year, then the Annual Compensation Earnable limit that applies for the plan year is the limit in effect for the calendar year in which the plan year begins. Since the Association's plan year corresponds to the calendar year, the Compensation Earnable used to determine all benefit accruals for each plan year is limited to the Annual Compensation Earnable Limit in effect as of January 1 of the calendar year that coincides with that plan year.

## 2. Member Contributions

Since the Association's plan year corresponds to the calendar year, the Compensation Earnable used to determine Member contributions for each plan year shall be limited to the Annual Compensation Earnable Limit in effect as of January 1 of the calendar year that coincides with the plan year.

## D. Examples

### 1. Example – Retirement Allowance

The retirement allowance provided by the Association for certain Members is based on the highest 12 consecutive months of Compensation Earnable ending within the plan year. The Annual Compensation Earnable Limit was \$250,000 for the 2012 calendar year and \$255,000 for the 2013 calendar year. A Member retires in May 2013. The Member's highest 12 consecutive months of Compensation Earnable is for the period May 1, 2012 through April 30, 2013. The annual Compensation Earnable used for determining this Member's benefits for the 2013 year is limited to \$250,000, not \$255,000, because this is the limit in effect for the calendar year in which the 12-consecutive month period began.

For some Members of the Association, including Members subject to the requirements enacted under PEPRA, the retirement allowance provided by the Association is based on the highest 36 consecutive months of Compensation Earnable ending within the plan year. The Annual Compensation Earnable Limit was \$245,000 for 2011, \$250,000 for 2012, and \$255,000 for 2013. A Member retires in May 2014. The Member has \$300,000 per year (\$25,000 per month) of Compensation Earnable during the Member's highest 36 consecutive months of Compensation Earnable for the period May 1, 2011 through April 30, 2014. The Association may not base the Member's benefits for 2014 on annual Compensation Earnable in excess of \$250,000, the average of the limits in effect for each of the three 12-consecutive month periods: the May 1, 2011 through April 30, 2012 period is capped at \$245,000, the 2011 limit; the May 1, 2012 through April 30, 2013 is capped at \$250,000, the 2012 limit; and the May 1, 2013 through April 30, 2014 is capped at \$255,000, the 2013 limit. The average of these capped amounts, \$250,000, is the Annual Compensation Earnable Limit for determining benefits for the 2014 plan year for a member who retires in May, 2014 because that is the average limit for the three

calendar years in which the member's average 36 consecutive months of compensation earnable begins.

2. Example – Member Contributions

The refund or withdrawal benefits from Member contributions are accrued on an annual basis. The Annual Compensation Earnable Limit was \$245,000 for the 2011 calendar year; \$250,000 for the 2012 calendar year; and \$255,000 for the 2013 calendar year.

Since the Association's plan year corresponds to the calendar year, the Annual Compensation Earnable Limit for Member contributions was \$245,000 for the 2011 plan year; \$250,000 for the 2012 plan year; and \$255,000 for the 2013 plan year.

**IV.** This policy is intended to be in accordance with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable law will govern.

**V. Policy Review**

Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance.

**VI. History**

01/01/2015	Effective Date of Bylaw Section 21
12/08/2017	Extracted from Bylaws into policy
07/06/2018	Staff reviewed, no content changes
04/12/2019	Policy Review section amended to at least once every three years
07/09/2021	Staff deleted the cost of living adjustment of \$260,000 for 2014 referenced in II.A.1

**Certification of Board Adoption**

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Clerk of the Board	07/09/2021 Date
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## Board Administration Policy

# Document and Data Retention Policy

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### I. Purpose

- A. To establish guidelines for the storage, maintenance, and destruction of documents and data owned, managed, or controlled by SJCERA in accordance with their administrative, legal, fiscal and historical value.

### II. Authority

- A. This policy is written in accordance with California Government Code Section 31537 (retirement board may establish efficient records management procedures), ~~and~~ Section 12236 (guidelines for local government records retention) and the Uniform Electronic Transaction Act, Civil Code section 1633.1, which provides requirements if electronic records are retained in lieu of paper records.

### III. Guidelines

- A. ~~This policy has been drafted with the intent of continuing migration from paper to electronic images.~~ Unless otherwise specified in the Document and Data Retention Schedule, once the information in ~~the new~~ electronic format has been verified, the records from which the ~~new~~ electronic images were created ~~can~~ should be destroyed. The information in the ~~new~~ electronic format then becomes the copy of record (also known as the record or master copy) and must be retained as specified on the document retention schedule.
  - i. The CEO will be responsible for the creation and maintenance of the SJCERA Document and Data Retention Schedule. The CEO shall ensure compliance with all applicable laws and regulations.
  - ii. The minimum retention period of a record must be consistent with applicable laws, orders, rules or regulations. When no such criteria exist, a reasonable retention period will be established based on SJCERA's needs and the usefulness of the information.
  - iii. Once records have fulfilled their administrative, fiscal or legal function, they will be disposed of as soon as practical in accordance with the Document and Data Retention Schedule, unless they have enduring historical value as determined by the CEO.

~~Prior to the destruction of any records (paper or electronic), an approved Records Destruction Form will be completed by staff and approved by~~

~~the CEO. Records Destruction Forms will be maintained according to this policy; an index will be maintained indefinitely.~~

- iv. Board action is not required for the destruction of documents in accordance with Document and Data Retention Schedule.
- v. Exceptions to the Document and Data Retention Policy may be made by the appropriate manager in consultation with the CEO. Exceptions should weigh the need for retaining the record against the cost to store and retrieve the record.
- vi. Retained information must be stored in a manner designed to ensure its accessibility, integrity, confidentiality, authenticity and legibility. No pages of any record shall be destroyed if any page cannot be reproduced with full legibility. Every unreproducible page shall be permanently preserved in a manner that will afford easy reference.
- vii. Preliminary drafts, notes and interagency or intra-agency correspondence may be destroyed if they are no longer needed and there is no legal or policy requirement that they be retained.
- viii. Imaged files or other electronic reproduction of records shall be deemed to be an “original” record of the paper record and the paper records may be destroyed, upon a determination by the CEO that:
  - a. The records were electronically imaged or recorded on a medium that is a trusted system and that does not permit additions, deletions or changes to the original document;
  - b. The device used to reproduce the record, paper or document on the medium is one which accurately and legibly reproduces the original thereof in all details and that does not permit additions, deletions or changes to the original document images;
  - c. The imaged or reproduced records are used by SJCERA in the ordinary conduct of its business in lieu of the paper records and made as accessible for public reference as the paper records were; and
  - d. A true electronic or paper copy of archival quality shall be kept in a safe and separate place for security purposes. (See Section V.A of this policy)
  - ~~d.e.~~ No pages of any record shall be destroyed unless or until all pages can be legibly reproduced. Any unreproducible page(s) shall be preserved in a manner that will afford easy reference until or all legal and policy requirements are satisfied.

B. In consultation with counsel, records pertinent to an administrative investigation, anticipated or pending litigation, or subject to an express litigation “hold,” shall be retained until final resolution of the investigation or litigation, or until expiration of the regular specified retention period, whichever is later.

#### IV. Email Correspondence

A. Electronic communications, including e-mail, are considered transitory in nature and are not customarily kept or retained by SJCERA as the primary means for preserving information for future reference. E-mail will be purged from the system per the Document and Data Retention Schedule.

#### V. Electronic Data Retention

~~A. All electronic data will be backed up on a predetermined programschedule (daily or weekly) schedule utilizing secure off-site storage platforms. A full back up will be sent to secure offsite storage on a weekly basis.~~

~~B.A.~~

#### VI. Policy Review

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance with Government Code Sections 12236 and 31537. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with its bylaws.

#### VII. History

09/14/2007	Board adopted Policy
11/11/2017	Staff updated format
10/12/2018	Amended
04/12/2019	Policy Review section amended to at least once every three years
<u>07/09/2021</u>	<u>Updated statutory reference, storage platform, and aligned with existing processes</u>

#### Certification of Board Adoption:

_____	07/09/2021
Clerk of the Board	Date





## Document and Data Retention Policy

---

### I. Purpose

- A. To establish guidelines for the storage, maintenance, and destruction of documents and data owned, managed, or controlled by SJCERA in accordance with their administrative, legal, fiscal and historical value.

### II. Authority

- A. This policy is written in accordance with California Government Code Section 31537 (retirement board may establish efficient records management procedures), Section 12236 (guidelines for local government records retention) and the Uniform Electronic Transaction Act, Civil Code section 1633.1, which provides requirements if electronic records are retained in lieu of paper records.

### III. Guidelines

- A. Unless otherwise specified in the Document and Data Retention Schedule, once the information in electronic format has been verified, the records from which the electronic images were created should be destroyed. The information in the electronic format then becomes the copy of record (also known as the record or master copy) and must be retained as specified on the document retention schedule.
  - i. The CEO will be responsible for the creation and maintenance of the SJCERA Document and Data Retention Schedule. The CEO shall ensure compliance with all applicable laws and regulations.
  - ii. The minimum retention period of a record must be consistent with applicable laws, orders, rules or regulations. When no such criteria exist, a reasonable retention period will be established based on SJCERA's needs and the usefulness of the information.
  - iii. Once records have fulfilled their administrative, fiscal or legal function, they will be disposed of as soon as practical in accordance with the Document and Data Retention Schedule, unless they have enduring historical value as determined by the CEO.
  - iv. Board action is not required for the destruction of documents in accordance with Document and Data Retention Schedule.
  - v. Exceptions to the Document and Data Retention Policy may be made by the appropriate manager in consultation with the CEO. Exceptions

should weigh the need for retaining the record against the cost to store and retrieve the record.

- vi. Retained information must be stored in a manner designed to ensure its accessibility, integrity, confidentiality, authenticity and legibility. No pages of any record shall be destroyed if any page cannot be reproduced with full legibility. Every unreproducible page shall be permanently preserved in a manner that will afford easy reference.
  - vii. Preliminary drafts, notes and interagency or intra-agency correspondence may be destroyed if they are no longer needed and there is no legal or policy requirement that they be retained.
  - viii. Imaged files or other electronic reproduction of records shall be deemed to be an "original" record of the paper record and the paper records may be destroyed, upon a determination by the CEO that:
    - a. The records were electronically imaged or recorded on a medium that is a trusted system and that does not permit additions, deletions or changes to the original document;
    - b. The device used to reproduce the record, paper or document on the medium is one which accurately and legibly reproduces the original thereof in all details and that does not permit additions, deletions or changes to the original document images;
    - c. The imaged or reproduced records are used by SJCERA in the ordinary conduct of its business in lieu of the paper records and made as accessible for public reference as the paper records were; and
    - d. A true electronic or paper copy of archival quality shall be kept in a safe and separate place for security purposes. (See Section V.A of this policy)
    - e. No pages of any record shall be destroyed unless or until all pages can be legibly reproduced. Any unreproducible page(s) shall be preserved in a manner that will afford easy reference until or all legal and policy requirements are satisfied.
- B. In consultation with counsel, records pertinent to an administrative investigation, anticipated or pending litigation, or subject to an express litigation "hold," shall be retained until final resolution of the investigation or litigation, or until expiration of the regular specified retention period, whichever is later.

**IV. Email Correspondence**

A. Electronic communications, including e-mail, are considered transitory in nature and are not customarily kept or retained by SJCERA as the primary means for preserving information for future reference. E-mail will be purged from the system per the Document and Data Retention Schedule.

**V. Electronic Data Retention**

A. All electronic data will be backed up on a predetermined schedule (daily or weekly) utilizing secure off-site storage platforms.

**VI. Policy Review**

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance with Government Code Sections 12236 and 31537. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with its bylaws.

**VII. History**

09/14/2007	Board adopted Policy
11/11/2017	Staff updated format
10/12/2018	Amended
04/12/2019	Policy Review section amended to at least once every three years
07/09/2021	Updated statutory reference, storage platform, and aligned with existing processes

**Certification of Board Adoption:**

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Clerk of the Board	07/09/2021 Date
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## Board Administration Policy

# Final Compensation Review Policy

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### I. Statement of Purpose

- A. ~~This To policy establishes fair and impartial guidelines to determine whether the pay elements in the final average compensation period qualify as “compensation earnable” or “pensionable compensation” as applicable a procedure for assessing and determining whether an element of compensation was paid to enhance an SJCERA member’s retirement benefit, as required by Government Code Section 31542.~~

### II. ~~Fundamental Principles Guiding the Final Compensation Review Process~~

~~A. The process needs to be efficient. It should take into account available resources and not unduly delay the issuance of the first monthly retirement allowance.~~

~~B. At the same time, the process must produce sufficient evidence and documentation to support the recommended determination regarding the pay element(s).~~

~~C. The level of review should correspond to the degree to which the compensation exceeds a baseline benchmark and/or the nature of the pay element(s) in question. That is, a small increase in compensation in the final average salary period will be of less concern than a larger increase, and a common, wide-spread pay element will trigger less suspicion than an unusual or isolated pay element.~~

~~D. Responsibility for obtaining/providing necessary information should be sensibly allocated between SJCERA staff and the employer and/or member. SJCERA should first draw upon information within its knowledge and control before requesting additional information from the employer/member. It is expected that in most cases necessary information will be more accessible to the employer than the member and hence will be obtained from the employer.~~

~~E. The affected parties should receive sufficient information to understand the nature and potential impact of the compensation review process.~~

~~1. The employer should have a clear understanding of its responsibilities to provide information.~~

~~2. The member should be made aware that a compensation review process will take place and receive information regarding how it might impact the member’s retirement benefit.~~

~~3. Both the employer and the member should be advised of the status of the compensation review.~~

~~F. Consistency is critical. The steps taken in reviewing a pay element should be undertaken in a consistent manner and reflected in the record of the review.~~

~~G. The review and evaluation of pay elements should reflect that due process has been provided in the determination.~~

~~1. The employer and employee should have a reasonable opportunity to provide information to support their belief that a pay element should be included in the calculation of the retirement benefit.~~

### **III. Staff Review, Assessment, and Determination**

~~A. The Board authorizes SJCERA staff to review compensation included within the calculation of the member's final compensation within the meaning of California Government Code Sections 7522.32, 7522.34, 31461, 31462, 31462.1, 31462.11, and 31462.2, as applicable, for the purpose of making an initial assessment as to whether any pay element included in the determination of final compensation was paid to enhance a member's retirement benefit.~~

~~B. When reviewing items of compensation, SJCERA staff will audit pay items to identify those that may have been paid to enhance a member's retirement benefit (e.g. conversion of pay items from in-kind to cash payment in the final compensation period), involve the manipulation of compensation by SJCERA members or employers to enhance benefits, receipt of ad hoc payments or any other compensation considered to be inconsistent with statutory pension reform provisions.~~

~~C. The basic steps in the final compensation review process are:~~

~~1. A. Upon receipt of a retirement application, SJCERA staff will determine whether the pay elements in the final average salary period qualify as "compensation earnable" or "pensionable compensation" as applicable. Staff will then compare the gross compensation in the final compensation period to the gross compensation in similar periods of time, and then analyze the cause of the increase reported for the year immediately prior to the start of the final compensation period. If the compensation in the final compensation period exceeds the compensation in the year prior by a threshold amount, the individual pay elements in the year prior will be identified and compared to the individual pay elements in the final compensation period.~~

~~1. Staff will review the compensation comparison in light of broad payroll events during the final compensation period. SJCERA staff shall rely on the following four principals to guide its decision:~~

- a. Inconsistent use of special pay elements at or near the end of member's career;
- b. Frequent use of special pay elements over tie of which appear to be random;
- c. End of career pay increases that are routine and customary;
- d. Special pay elements that are accumulated through work completed, voluntarily or employer directed.
- e. Board payroll events during the final compensation period.

2. SJCERA will evaluate each situation on a case-by-case basis, considering all facts.

- a. ~~For example: Were cost-of-living adjustments to salary paid and, if so, in what amount? Were equity adjustments applied for the member's job classification?~~
- b. ~~If the broad payroll events fully explain the increase in compensation for the final compensation period, the review ends.~~
- c. ~~If the broad payroll events do not fully explain the increase in compensation, additional information will be requested of the employer. The employer will be required to provide the information by a fixed date so as to limit potential delay in the processing of the retirement application.~~

3.2. Staff may consider any other factors that cause staff to believe that an item of compensation included in final compensation was paid to enhance a member's retirement benefit, and conduct such written and oral follow-up communication with the employer, member, others, as staff believes is appropriate in the exercise of reasonable diligence.

3. If the analysis indicates that specific elements of compensation were routinely paid during the review period(s) at or near the same frequency as found during the final average compensation period, the final average compensation will be used to determine the member's retirement benefits.

4. If the analysis indicates that an element of compensation was paid to enhance the retirement benefit, the member or the employer shall be given the opportunity to present evidence to SJCERA that the compensation was not paid for the purpose of enhancing the member's retirement benefit.

4.5. The Chief Executive Officer (CEO) will evaluate all evidence provided, and if in the opinion of the CEO, it appears an element of compensation was paid to enhance a member's benefit, the CEO will deny the use of the element(s) in calculating the final average compensation. If the member disagrees with the CEO's decision, the

~~member may request the item be placed on the Board of Retirement agenda for review. The information assembled by staff will be reviewed by the Chief Executive Officer, Assistant Chief Executive Officer and SJCERA's legal counsel.~~

~~a. If the conclusion is that there is sufficient evidence to establish that the pay element was provided for the purpose of enhancing the member's retirement benefit, the employer and member will be notified of the determination and invited to submit additional information to rebut that determination within a specified time frame.~~

~~b. If, after reviewing any additional information submitted by the employer and/or member, staff continues to believe that the pay element was provided for the purpose of enhancing the member's retirement benefit, SJCERA will notify the member and employer in writing of the staff's determination and of the member's and/or the employer's option to have that determination reconsidered by the SJCERA Board of Retirement.~~

~~D. B.~~ If payment of the member's benefit would be delayed by seeking resolution through the administrative or judicial processes set forth herein, SJCERA may process the benefit excluding the compensation in question. If it is later determined the compensation should be included, SJCERA will adjust the benefit retroactive to the retirement effective date.

~~E. C.~~ A member or employer shall have 15 calendar days from the date of written notification of staff's determination within which to request reconsideration by the Board of Retirement, and provide any additional evidence to rebut staff's recommendation. Failure to exercise this option by the member or the employer shall constitute a waiver of further administrative or judicial review.

~~F. A staff recommendation to exclude a pay element, and any information provided by the employer and member to rebut that recommendation, will be considered by the Board in open session at the next scheduled Board Meeting. The Board's consideration of the matter will be "on the written record" and will not include oral testimony unless the Board so desires.~~

#### **IV. Board Review of Staff Determination**

A. Staff shall prepare a written report to the Board of Retirement describing the reasons for staff's determination that a pay element should be excluded from

the member's final compensation. The report shall also include any evidence submitted by the member or employer to rebut staff's determination and support reconsideration by the Board of Retirement.

- B. The report shall be noticed and agendized for open session of a regular meeting of the Board. Written notice of the Board meeting and a copy of staff's report shall be provided to the member and the employer no less than 5 business days before the meeting date.
- C. The Board will make a final determination at the meeting, as to whether the item of compensation was paid to enhance the member's retirement benefit. SJCERA will provide the member and employer written notice of the Board's final determination.
  - 1. If the Board approves staff's recommendation, the written notice of the Board's final determination will inform the member and the employer of their right to seek judicial review of the Board's action by filing a petition for writ of mandate within 30 days after the date of mailing of that notice.
  - 2. If the Board overturns staff's recommendation, staff will include the compensation in the determination of the member's final compensation, and adjust the member's benefit retroactively to the retirement effective date.

**V. Policy Review**

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement, pursuant to the Bylaws.

**VI. History**

- 08/09/2013 Adopted by Board of Retirement
- 06/29/2018 Staff updated format
- 04/12/2019 Policy Review section amended to at least once every three years
- 07/09/2021 Added the principals for review, clarified the administrative role and other non-substantive changes

**Certification of Board Adoption**

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	07/09/2021
Clerk of the Board	Date





**Board Administration Policy**  
**Final Compensation Review Policy**

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**I. Statement of Purpose**

- A. To establish fair and impartial guidelines to determine whether the pay elements in the final average compensation period qualify as “compensation earnable” or “pensionable compensation” as applicable, as required by Government Code Section 31542.

**II. Staff Review, Assessment, and Determination**

- A. Upon receipt of a retirement application, SJ-CERA staff will then compare the gross compensation in the final compensation period to the gross compensation in similar periods of time, and then analyze the cause of the increase.
1. SJ-CERA staff shall rely on the following four principals to guide its decision:
    - a. Inconsistent use of special pay elements at or near the end of member’s career;
    - b. Frequent use of special pay elements over tie of which appear to be random;
    - c. End of career pay increases that are routine and customary;
    - d. Special pay elements that are accumulated through work completed, voluntarily or employer directed.
    - e. Board payroll events during the final compensation period.

SJ-CERA will evaluate each situation on a case-by-case basis, considering all facts.

2. Staff may consider any other factors that cause staff to believe that an item of compensation included in final compensation was paid to enhance a member’s retirement benefit, and conduct such written and oral follow-up communication with the employer, member, others, as staff believes is appropriate in the exercise of reasonable diligence.
3. If the analysis indicates that specific elements of compensation were routinely paid during the review period(s) at or near the same frequency as found during the final average compensation period, the final average compensation will be used to determine the member’s retirement benefits.

4. If the analysis indicates that an element of compensation was paid to enhance the retirement benefit, the member or the employer shall be given the opportunity to present evidence to SJCERA that the compensation was not paid for the purpose of enhancing the member's retirement benefit.
  5. The Chief Executive Officer (CEO) will evaluate all evidence provided, and if in the opinion of the CEO, it appears an element of compensation was paid to enhance a member's benefit, the CEO will deny the use of the element(s) in calculating the final average compensation. If the member disagrees with the CEO's decision, the member may request the item be placed on the Board of Retirement agenda for review.
- B. If payment of the member's benefit would be delayed by seeking resolution through the administrative or judicial processes set forth herein, SJCERA may process the benefit excluding the compensation in question. If it is later determined the compensation should be included, SJCERA will adjust the benefit retroactive to the retirement effective date.
- C. A member or employer shall have 15 calendar days from the date of written notification of staff's determination within which to request reconsideration by the Board of Retirement, and provide any additional evidence to rebut staff's recommendation. Failure to exercise this option by the member or the employer shall constitute a waiver of further administrative or judicial review.

### **III. Board Review of Staff Determination**

- A. Staff shall prepare a written report to the Board of Retirement describing the reasons for staff's determination that a pay element should be excluded from the member's final compensation. The report shall also include any evidence submitted by the member or employer to rebut staff's determination and support reconsideration by the Board of Retirement.
- B. The report shall be noticed and agendized for open session of a regular meeting of the Board. Written notice of the Board meeting and a copy of staff's report shall be provided to the member and the employer no less than 5 business days before the meeting date.
- C. The Board will make a final determination at the meeting, as to whether the item of compensation was paid to enhance the member's retirement benefit. SJCERA will provide the member and employer written notice of the Board's final determination.
1. If the Board approves staff's recommendation, the written notice of the Board's final determination will inform the member and the employer of their right to seek judicial review of the Board's action by filing a petition for writ

of mandate within 30 days after the date of mailing of that notice.

2. If the Board overturns staff's recommendation, staff will include the compensation in the determination of the member's final compensation, and adjust the member's benefit retroactively to the retirement effective date.

#### **IV. Policy Review**

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement, pursuant to the Bylaws.

#### **V. History**

08/09/2013	Adopted by Board of Retirement
06/29/2018	Staff updated format
04/12/2019	Policy Review section amended to at least once every three years
07/09/2021	Added the principals for review, clarified the administrative role and other non-substantive changes

#### **Certification of Board Adoption**

	07/09/2021
_____ Clerk of the Board	_____ Date



# Required Minimum Distributions – IRC 401(a)(9)

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## I. Purpose

This policy reaffirms and clarifies the existing practices of the Association with respect to the limit on minimum distribution requirements under Internal Revenue Code section 401(a)(9) and Treasury regulations issued thereunder.

## II. General Rules

### A. Reasonable Good Faith Interpretation of Code

In accordance with section 823 of the Pension Protection Act of 2006 (“PPA”), this policy is promulgated in accordance with a reasonable good faith interpretation of Code section 401(a)(9), and the Treasury regulations thereunder, as applicable to a governmental plan within the meaning of Code section 414(d). For purposes of Code section 401(a)(9), Code means the Code and applicable Treasury regulations as they apply under a reasonable good faith interpretation of section 401(a)(9).

### B. Elections Under TEFRA § 242(b)(2)

Notwithstanding the other requirements of this policy to the contrary, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act.

## III. Definitions

Capitalized terms used in this policy are defined below.

### A. Annuity Starting Date

“Annuity Starting Date” means the first day of the first period for which a retirement benefit is payable as a Required Minimum Distribution (RMD) Annuity or, in the case of a retirement benefit not payable in the form of an RMD Annuity, the first day on which all events have occurred which entitle the Member to payment.

### B. Designated Beneficiary

“Designated Beneficiary” means the individual who is designated by the Member (or the Member’s surviving Spouse) as the beneficiary of the Member’s interest under the Association and who is also the designated beneficiary under Code section 401(a)(9) and section 1.401(a)(9)-4 of the Treasury regulations. Accordingly, entities other than individuals, such as the Member’s estate or a trust, cannot be a Designated Beneficiary of a Member’s interest in the Association. However, the individuals who are beneficiaries under a designated trust shall be treated as Designated Beneficiaries for purposes of determining the distribution period under this policy and Code

section 401(a)(9) if all of the applicable requirements of Treasury regulation section 1.401(a)(9)-4, Q&A-5(b) are met. If all of such applicable requirements are not met, then the distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

#### C. Distribution Calendar Year

"Distribution Calendar Year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year which contains the Member's Required Beginning Date. For distributions beginning after the Member's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin pursuant to Section VI.A herein.

#### D. Required Beginning Date

"Required Beginning Date," means April 1 of the calendar year following the later of the calendar year in which the Member attains age 72 (or age 70½ if the Member attained age 70½ prior to January 1, 2020) or the calendar year in which the Member retires.

#### E. RMD Annuity

"RMD Annuity" means, for purposes of the required minimum distribution rules in Code section 401(a)(9), a distribution form providing for periodic payments for a specified period of time. "RMD Annuity" for purposes of this policy does not mean "annuity" as defined in the County Employees' Retirement Law, but instead means a retirement benefit that is payable by the Association.

#### F. Spouse

Effective June 26, 2013, consistent with Federal tax rules, the term "Spouse" means a person who is lawfully married under California law, including marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term "Spouse" does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).

### IV. Time and Manner of Distribution

#### A. Required Beginning Date

The Member's entire interest will be distributed, or begin to be distributed, no

later than the Member's Required Beginning Date.

## B. Form of Distribution

### 1. Periodic and Other Forms of Payments

A Member's entire interest in the Association shall be distributed in the form of RMD Annuity payments that meet the requirements of Section IV.B.2 or in the form of a single sum or an insurance company annuity contract that meets the requirements of Section IV.B.3.a. Payments may be made in a combination of these forms of payment and may include lump sum withdrawals of Member contributions or death benefits as provided in the CERL provided that these forms comply with a reasonable good faith interpretation of Code section 401(a)(9).

### 2. General Rules Regarding RMD Annuities

If the Member's interest is to be paid in the form of an RMD Annuity, the RMD Annuity must meet the following requirements:

#### a. Periodic

RMD Annuities must be paid over equal payment intervals, which intervals may not be longer than one year.

#### b. Distribution Period

RMD Annuities will be paid over the life or lives of the Member and a beneficiary or over a period certain that does not exceed the maximum length of the period described in Sections V or VI herein.

#### c. Increases

RMD Annuities may not increase over time except in accordance with the rules in Section VII.A

#### d. Change in Period Paid

The period over which an RMD Annuity is paid can be changed only in accordance with Q&A-13 of section 1.401(a)(9)-6 of the Treasury regulations.

#### e. Commencement

Payment of the RMD Annuity must start no later than the Required Beginning Date.

### 3. Other Forms

#### a. Annuity Contract

If the Member's interest is distributed in the form of an annuity contract purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code section 401(a)(9).

b. Individual Account

Any part of the Member's interest which is in the form of an individual account described in section 414(k) of the Code will be distributed in a manner satisfying the requirements of Code section 401(a)(9) that apply to individual accounts.

C. Amount Required to be Distributed by Required Beginning Date and Later Payment Intervals

The amount that must be distributed on or before the Member's Required Beginning Date is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. All of the Member's benefit accruals as of the last day of the first Distribution Calendar Year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Member's Required Beginning Date. If the Member dies before distributions begin, the same rules apply with reference to the date distributions are required to begin under Section VI.A, paragraphs 1 or 2.

**V. RMD Annuity Distributions Beginning During Member's Life**

The following rules must be met to comply with the requirements of the Code and this policy for RMD Annuities that begin during the Member's lifetime.

A. Single Life RMD Annuity

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime only, with no benefits paid to any other person, meets the requirements of the Code and this policy.

B. Joint and Survivor RMD Annuity – Death of Member after Benefits Begin

If Member dies after RMD Annuity payments have commenced to the Member, then distributions must continue to be made over the remaining period over which distributions commenced in accordance with the schedule of payments made to the Member. Reasonable delay for administration may occur, but in this case payments that should have been made in accordance with the original payment schedule must be made with the first resumed payment.

C. Joint and Survivor RMD Annuity With Spouse as the Sole Beneficiary

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of the Member's surviving Spouse, with no benefits paid to any other person, meets the requirements of the Code and this policy regardless of the difference in age of the Member and the Member's Spouse.

D. Joint and Survivor RMD Annuity When the Sole Beneficiary Is Not the Member's Spouse

1. Limit on Percentage of Member's RMD Annuity Paid to Non-Spouse Beneficiary

The survivor annuity percentage of an RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of a beneficiary other than the Member's surviving Spouse must not at any time exceed the applicable percentage of the RMD Annuity payment during the Member's lifetime, using the table set forth in Treasury regulation section 1.401(a)(9)-6, Q&A-2(c)(2), as determined in the manner described in Q&A-2(c)(1). This Treasury Regulation requires that the RMD Annuity payable to the Member's beneficiary after the Member's death not exceed the percentage of the RMD Annuity payable to the Member during the Member's life specified in the table if the adjusted age difference between the Member and the beneficiary is more than 10 years.

2. Rule Regarding Children of Member

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a survivor benefit is payable to a surviving child of the Member for a limited period of time (such as until the child reaches the age of 22), the survivor benefit shall be treated as payable solely to the surviving Spouse of the Member.

3. Rule Regarding Other Beneficiaries

Solely to the extent required by Code section 401(a)(9) and under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(c) and taking into account the vested rights in retirement benefits created by the California Constitution, if a survivor benefit is payable to a person other than a surviving Spouse of the Member (or surviving child under paragraph 2 of this subsection D), the survivor's allowance may not exceed the percentage of the Member's benefit established under the Applicable Percentage Table in Q&A-2 of Treasury regulations section 1.401(a)(9)-6 for the calendar year that contains the Annuity Starting Date. If the Member is younger than age 70 in that year, then the age difference used in the Table is reduced by the number of years that the Member is younger than age 70 on the Member's birthday for that calendar year. If the Member is unable to elect Option 2 as result of a limitation under the Applicable Percentage Table, the Member will be allowed to elect an alternate allowance under Option 4, which will provide an actuarially equivalent benefit based on the highest survivor's allowance permissible under the Applicable Percentage Table payable to the Designated Beneficiary.

- E. Period Certain RMD Annuity

1. Spouse Is the Sole Beneficiary

If the Member's sole beneficiary is the Member's surviving Spouse, and the form of distribution is a period certain with no life annuity, the period certain



may not exceed the joint life and last survivor expectancy of the Member and Spouse as determined in accordance with the Joint and Last Survivor Table set forth in section 1.401(a)(9)–9, Q&A-3, of the Treasury Regulations, using the Member’s and Spouse’s ages as of the Member’s and Spouse’s birthdays in the calendar year that contains the Annuity Starting Date.

2. Spouse Is not the Sole Beneficiary

When the Member’s surviving Spouse is not the sole beneficiary then the period certain may not exceed the period established under the Uniform Lifetime Table in Q&A-2 of Treasury regulations section 1.401(a)(9)-9 for the calendar year that contains the Annuity Starting Date. If the Member is younger than age 70 in that year, then the distribution period for the Member is the distribution period for age 70 increased by the difference between 70 and the age of the Member in the year of the Annuity Starting Date. Also see below regarding Designated Beneficiaries.

3. Rule Regarding Children of Member

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, the period certain distribution rules shall not apply to survivor benefits payable to children of the Member but the rules of section V.D above shall apply.

4. Rule Regarding Other Beneficiaries

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a period certain survivor benefit is payable to a person other than a surviving Spouse of the Member, then the present value (if any) of any benefit that would be in excess of the amount that can be paid in accordance with such regulation shall be paid to such person in a lump sum payment no later than one year after such person becomes entitled to a survivor benefit.

## VI. Distributions When Member Dies before Benefits Begin

If a Member dies before distributions begin, distributions after the death of the Member must meet the following requirements:

A. When Distributions Must Begin

1. Spouse is the Sole Designated Beneficiary

If the Member’s sole Designated Beneficiary is the Member’s surviving Spouse, then, except as provided in paragraph 5 of this Section [V.I.A](#), distributions to the surviving Spouse must begin by December 31 of the calendar year immediately following the calendar year in which the Member died or, if later, by December 31 of the calendar year in which the Member would have reached age 72 [\(or age 70½ if the Member attained age 70½ prior to January 1, 2020\)](#).

2. Spouse is not the Sole Designated Beneficiary

If the Member's sole Designated Beneficiary is not the Member's surviving Spouse, then, except as provided in paragraph 5 of this Section VI.A, distributions to the Designated Beneficiary must begin by December 31 of the calendar year immediately following the calendar year in which the Member died.

3. No Designated Beneficiary

If there is no Designated Beneficiary as of September 30 of the year following the year of the Member's death, then distributions of the Member's entire interest must be completed by December 31 of the calendar year that contains the fifth anniversary of the Member's death.

4. Death of Surviving Spouse Who Is the Sole Designated Beneficiary

If the Member's surviving Spouse is the Member's sole Designated Beneficiary and the surviving Spouse dies after the Member but before distributions to the surviving Spouse are required to begin, then this Section VI.A, other than Section VI.A.1, applies as if the surviving Spouse were the Member.

5. Election of Five Year Rule

A Designated Beneficiary may elect, at the time and in the manner determined by the Association, to have the five year rule of Section VI.A.3 apply, but solely to the extent that the Designated Beneficiary may elect, under the CERL, a benefit which will be paid in the required time period.

B. When Distributions Are Considered to Begin

For purposes of this Section VI, unless Section VI.A.4 applies, distributions are considered to begin on the Member's Required Beginning Date. If Section VI.A.4 applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Section VI.A.1. If distributions under an RMD Annuity meeting the requirements of this policy commence to the Member before the Member's Required Beginning Date (or to the Member's surviving Spouse before the date distributions are required to begin to the surviving Spouse under Section VI.A.1), the date distributions are considered to begin is the date distributions actually commence.

C. Length of Distribution Period

1. Member Is Survived by a Designated Beneficiary

a. General Rule

If a Designated Beneficiary survives the Member, the Member's entire interest in the Association shall be distributed over the life of the

Designated Beneficiary or over a period certain that does not exceed the period specified in paragraph C.1.b below.

b. Period Certain

The period certain in paragraph C.1.a above may not exceed the Designated Beneficiary's life expectancy determined using the Single Life Table in Treasury regulations section 1.401(a)(9)-9, Q&A-1. If the Annuity Starting Date is in the first Distribution Calendar Year, the life expectancy shall be determined using the Designated Beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the Member's death. If the Annuity Starting Date is before the first Distribution Calendar Year, then the life expectancy is determined using the Designated Beneficiary's age in the calendar year that contains the Annuity Starting Date.

2. No Designated Beneficiary

If there is no Designated Beneficiary as of the September 30 of the year following the year of the Member's death, distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

3. Death of Surviving Spouse before Distributions to Spouse Begin

If the Member's surviving Spouse is the Member's sole Designated Beneficiary, and the surviving Spouse dies before distributions to the surviving Spouse begin, this Section VI.C shall apply as if the surviving Spouse were the Member, except that the time that distributions are required to begin is determined without regard to Section VI.A.1.

## **VII. Special Rules**

A. RMD Annuity Payment Increases

RMD Annuity payments will either not increase over time or increase only as follows:

1. Cost of Living Adjustments

a. Annual COLA Increases

RMD Annuity payments may increase by an annual percentage that does not exceed the percentage increase in an eligible cost-of-living index, as defined in Q&A-14(b) of section 1.401(a)(9)-6 of the Treasury regulations, for a 12-month period ending in the year during which the increase occurs or a prior year.

b. Cumulative COLA Increases

RMD Annuity payments may increase by a percentage increase that occurs at specified times and does not exceed the cumulative total of annual percentage increases in an eligible cost-of-living index, as

defined in the preceding paragraph since the Annuity Starting Date, or if later, the date of the most recent percentage increase.

c. Additional COLA Increases

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b) and taking into account the vested rights in retirement benefits created by the California Constitution, RMD Annuity payments may increase by a percentage or amount that is determined by the Association, in accordance with the CERL, to represent an appropriate amount to take account of cost of living increases affecting retirees or beneficiaries.

2. "Pop-Ups"

RMD Annuity Payments may increase to the extent of the reduction in the amount of the Member's payments to provide for a survivor benefit, but only if there is no longer a survivor benefit because the beneficiary whose life was being used to determine the distribution period dies or is no longer the Member's beneficiary pursuant to a domestic relations order under applicable state law.

3. Plan Amendment

Benefits may increase if they result from an amendment to, or interpretation of, the CERL, PEPRA, or any other applicable law governing benefits for Members or from an ordinance, resolution or regulation pursuant to such law.

4. Other Benefits

Benefits may increase (i) to the extent increases are permitted in accordance with paragraph (c) or (d) of Q&A-14 of section 1.401(a)(9)-6 of the Treasury regulations dealing with additional permitted increases for annuity payments under annuity contracts purchased from an insurance company and additional permitted increases for annuity payments from a qualified trust; (ii) pursuant to section 31691.1 of the CERL; and (ii) pursuant to sections 31681.1 et. seq., and 31739 et. seq. of the CERL.

B. Additional Accruals after First Distribution Calendar Year

Any additional benefits accruing to the Member in a calendar year after the first Distribution Calendar Year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such benefit accrues.

C. Domestic Relations Orders

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if Article 8.4 of the CERL applies (relating to the establishment of separate accounts under domestic relations orders), then both the Member and the Member's former Spouse shall be

deemed to be separate Members of the Association for purposes of this policy and Code section 401(a)(9).

**D. Reciprocal Member**

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a deferred Member is a current employee and a member of another retirement system with which the Association has reciprocity under California law, then for purposes of determining the Required Beginning Date under the Association the Member shall be treated as a current employee of the Association and as such, as if he or she had not retired, even if he or she has attained age 70½.

**E. Public Safety Member Killed in Line of Duty**

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, any additional retirement benefits paid under CERL section 31787.5 to the surviving Spouse of a public safety Member killed in the line of duty shall not be limited by Code section 401(a)(9) because they shall be treated as incidental death benefits.

**F. Rollovers**

Amounts that are required minimum distributions cannot be rolled over to another qualified retirement plan or other tax-favored vehicle. The amount that cannot be rolled over shall be determined in accordance with Treasury regulations section 1.402(c)-2, Q&A-7.

**G. Payments to Surviving Child Treated as Made to Surviving Spouse**

Solely to the extent required by Code section 401(a)(9) and under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(c) and taking into account the vested rights in retirement benefits created by the California Constitution, for purposes of Code section 401(a)(9) and is policy, payments to a Member's surviving child in accordance with the requirements of Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations shall be treated as if such payments had been made to the Member's surviving Spouse to the extent the payments become payable to the surviving Spouse upon the child's attainment of the age of majority, as determined in accordance with Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations, or upon the occurrence of such other event specified in Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations, or as otherwise specified in IRS guidance under Code section 401(a)(9).

**VIII.** This policy is intended to be in accordance with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable federal law will govern.

**IX. Policy Review**

Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

**X. History**

- 01/01/2015 Effective Date of Bylaw Section 25
- 03/20/2018 Bylaw Section 25 Converted to Board Policy and Board of Supervisors approved Bylaws
- 07/06/2018 Staff updated format
- 09/11/2018 Annual review, deleted Article 5.5 reference
- 04/12/2019 Policy Review section amended to at least once every three years
- 04/10/2020 Policy amended to reflect federal law increasing RMD to 72
- 07/09/2021 [Minor edits by tax counsel](#)

**Certification of Board Adoption:**

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	07/09/2021
Clerk of the Board	Date



# Board Administration Policy

## Required Minimum Distributions – IRC 401(a)(9)

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### I. Purpose

This policy reaffirms and clarifies the existing practices of the Association with respect to the limit on minimum distribution requirements under Internal Revenue Code section 401(a)(9) and Treasury regulations issued thereunder.

### II. General Rules

#### A. Reasonable Good Faith Interpretation of Code

In accordance with section 823 of the Pension Protection Act of 2006 (“PPA”), this policy is promulgated in accordance with a reasonable good faith interpretation of Code section 401(a)(9), and the Treasury regulations thereunder, as applicable to a governmental plan within the meaning of Code section 414(d). For purposes of Code section 401(a)(9), Code means the Code and applicable Treasury regulations as they apply under a reasonable good faith interpretation of section 401(a)(9).

#### B. Elections Under TEFRA § 242(b)(2)

Notwithstanding the other requirements of this policy to the contrary, distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act.

### III. Definitions

Capitalized terms used in this policy are defined below.

#### A. Annuity Starting Date

“Annuity Starting Date” means the first day of the first period for which a retirement benefit is payable as a Required Minimum Distribution (RMD) Annuity or, in the case of a retirement benefit not payable in the form of an RMD Annuity, the first day on which all events have occurred which entitle the Member to payment.

#### B. Designated Beneficiary

“Designated Beneficiary” means the individual who is designated by the Member (or the Member’s surviving Spouse) as the beneficiary of the Member’s interest under the Association and who is also the designated beneficiary under Code section 401(a)(9) and section 1.401(a)(9)-4 of the Treasury regulations. Accordingly, entities other than individuals, such as the Member’s estate or a trust, cannot be a Designated Beneficiary of a Member’s interest in the Association. However, the individuals who are beneficiaries under a designated trust shall be treated as Designated Beneficiaries for purposes of determining the distribution period under this policy and Code

section 401(a)(9) if all of the applicable requirements of Treasury regulation section 1.401(a)(9)-4, Q&A-5(b) are met. If all of such applicable requirements are not met, then the distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

C. Distribution Calendar Year

"Distribution Calendar Year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Member's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year which contains the Member's Required Beginning Date. For distributions beginning after the Member's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin pursuant to Section VI.A herein.

D. Required Beginning Date

"Required Beginning Date," means April 1 of the calendar year following the later of the calendar year in which the Member attains age 72 (or age 70½ if the Member attained age 70½ prior to January 1, 2020) or the calendar year in which the Member retires.

E. RMD Annuity

"RMD Annuity" means, for purposes of the required minimum distribution rules in Code section 401(a)(9), a distribution form providing for periodic payments for a specified period of time. "RMD Annuity" for purposes of this policy does not mean "annuity" as defined in the County Employees' Retirement Law, but instead means a retirement benefit that is payable by the Association.

F. Spouse

Effective June 26, 2013, consistent with Federal tax rules, the term "Spouse" means a person who is lawfully married under California law, including marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another jurisdiction whose laws authorize the marriage of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term "Spouse" does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).

**IV. Time and Manner of Distribution**

A. Required Beginning Date

The Member's entire interest will be distributed, or begin to be distributed, no



later than the Member's Required Beginning Date.

## B. Form of Distribution

### 1. Periodic and Other Forms of Payments

A Member's entire interest in the Association shall be distributed in the form of RMD Annuity payments that meet the requirements of Section IV.B.2 or in the form of a single sum or an insurance company annuity contract that meets the requirements of Section IV.B.3.a. Payments may be made in a combination of these forms of payment and may include lump sum withdrawals of Member contributions or death benefits as provided in the CERL provided that these forms comply with a reasonable good faith interpretation of Code section 401(a)(9).

### 2. General Rules Regarding RMD Annuities

If the Member's interest is to be paid in the form of an RMD Annuity, the RMD Annuity must meet the following requirements:

#### a. Periodic

RMD Annuities must be paid over equal payment intervals, which intervals may not be longer than one year.

#### b. Distribution Period

RMD Annuities will be paid over the life or lives of the Member and a beneficiary or over a period certain that does not exceed the maximum length of the period described in Sections V or VI herein.

#### c. Increases

RMD Annuities may not increase over time except in accordance with the rules in Section VII.A

#### d. Change in Period Paid

The period over which an RMD Annuity is paid can be changed only in accordance with Q&A-13 of section 1.401(a)(9)-6 of the Treasury regulations.

#### e. Commencement

Payment of the RMD Annuity must start no later than the Required Beginning Date.

### 3. Other Forms

#### a. Annuity Contract

If the Member's interest is distributed in the form of an annuity contract purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code section 401(a)(9).

b. Individual Account

Any part of the Member's interest which is in the form of an individual account described in section 414(k) of the Code will be distributed in a manner satisfying the requirements of Code section 401(a)(9) that apply to individual accounts.

C. Amount Required to be Distributed by Required Beginning Date and Later Payment Intervals

The amount that must be distributed on or before the Member's Required Beginning Date is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. All of the Member's benefit accruals as of the last day of the first Distribution Calendar Year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Member's Required Beginning Date. If the Member dies before distributions begin, the same rules apply with reference to the date distributions are required to begin under Section VI.A, paragraphs 1 or 2.

**V. RMD Annuity Distributions Beginning During Member's Life**

The following rules must be met to comply with the requirements of the Code and this policy for RMD Annuities that begin during the Member's lifetime.

A. Single Life RMD Annuity

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime only, with no benefits paid to any other person, meets the requirements of the Code and this policy.

B. Joint and Survivor RMD Annuity – Death of Member after Benefits Begin

If Member dies after RMD Annuity payments have commenced to the Member, then distributions must continue to be made over the remaining period over which distributions commenced in accordance with the schedule of payments made to the Member. Reasonable delay for administration may occur, but in this case payments that should have been made in accordance with the original payment schedule must be made with the first resumed payment.

C. Joint and Survivor RMD Annuity With Spouse as the Sole Beneficiary

An RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of the Member's surviving Spouse, with no benefits paid to any other person, meets the requirements of the Code and this policy regardless of the difference in age of the Member and the Member's Spouse.

D. Joint and Survivor RMD Annuity When the Sole Beneficiary Is Not the Member's Spouse

1. Limit on Percentage of Member's RMD Annuity Paid to Non-Spouse Beneficiary

The survivor annuity percentage of an RMD Annuity that begins no later than the Required Beginning Date and is paid for the Member's lifetime and the lifetime of a beneficiary other than the Member's surviving Spouse must not at any time exceed the applicable percentage of the RMD Annuity payment during the Member's lifetime, using the table set forth in Treasury regulation section 1.401(a)(9)-6, Q&A-2(c)(2), as determined in the manner described in Q&A-2(c)(1). This Treasury Regulation requires that the RMD Annuity payable to the Member's beneficiary after the Member's death not exceed the percentage of the RMD Annuity payable to the Member during the Member's life specified in the table if the adjusted age difference between the Member and the beneficiary is more than 10 years.

2. Rule Regarding Children of Member

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a survivor benefit is payable to a surviving child of the Member for a limited period of time (such as until the child reaches the age of 22), the survivor benefit shall be treated as payable solely to the surviving Spouse of the Member.

3. Rule Regarding Other Beneficiaries

Solely to the extent required by Code section 401(a)(9) and under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(c) and taking into account the vested rights in retirement benefits created by the California Constitution, if a survivor benefit is payable to a person other than a surviving Spouse of the Member (or surviving child under paragraph 2 of this subsection D), the survivor's allowance may not exceed the percentage of the Member's benefit established under the Applicable Percentage Table in Q&A-2 of Treasury regulations section 1.401(a)(9)-6 for the calendar year that contains the Annuity Starting Date. If the Member is younger than age 70 in that year, then the age difference used in the Table is reduced by the number of years that the Member is younger than age 70 on the Member's birthday for that calendar year. If the Member is unable to elect Option 2 as result of a limitation under the Applicable Percentage Table, the Member will be allowed to elect an alternate allowance under Option 4, which will provide an actuarially equivalent benefit based on the highest survivor's allowance permissible under the Applicable Percentage Table payable to the Designated Beneficiary.

#### E. Period Certain RMD Annuity

1. Spouse Is the Sole Beneficiary

If the Member's sole beneficiary is the Member's surviving Spouse, and the form of distribution is a period certain with no life annuity, the period certain

may not exceed the joint life and last survivor expectancy of the Member and Spouse as determined in accordance with the Joint and Last Survivor Table set forth in section 1.401(a)(9)–9, Q&A-3, of the Treasury Regulations, using the Member’s and Spouse’s ages as of the Member’s and Spouse’s birthdays in the calendar year that contains the Annuity Starting Date.

2. Spouse Is not the Sole Beneficiary

When the Member’s surviving Spouse is not the sole beneficiary then the period certain may not exceed the period established under the Uniform Lifetime Table in Q&A-2 of Treasury regulations section 1.401(a)(9)-9 for the calendar year that contains the Annuity Starting Date. If the Member is younger than age 70 in that year, then the distribution period for the Member is the distribution period for age 70 increased by the difference between 70 and the age of the Member in the year of the Annuity Starting Date. Also see below regarding Designated Beneficiaries.

3. Rule Regarding Children of Member

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, the period certain distribution rules shall not apply to survivor benefits payable to children of the Member but the rules of section V.D above shall apply.

4. Rule Regarding Other Beneficiaries

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a period certain survivor benefit is payable to a person other than a surviving Spouse of the Member, then the present value (if any) of any benefit that would be in excess of the amount that can be paid in accordance with such regulation shall be paid to such person in a lump sum payment no later than one year after such person becomes entitled to a survivor benefit.

## **VI. Distributions When Member Dies before Benefits Begin**

If a Member dies before distributions begin, distributions after the death of the Member must meet the following requirements:

A. When Distributions Must Begin

1. Spouse is the Sole Designated Beneficiary

If the Member’s sole Designated Beneficiary is the Member’s surviving Spouse, then, except as provided in paragraph 5 of this Section [VIA](#), distributions to the surviving Spouse must begin by December 31 of the calendar year immediately following the calendar year in which the Member died or, if later, by December 31 of the calendar year in which the Member would have reached age 72 (or age 70½ if the Member attained age 70½ prior to January 1, 2020).

2. Spouse is not the Sole Designated Beneficiary

If the Member's sole Designated Beneficiary is not the Member's surviving Spouse, then, except as provided in paragraph 5 of this Section VI.A, distributions to the Designated Beneficiary must begin by December 31 of the calendar year immediately following the calendar year in which the Member died.

3. No Designated Beneficiary

If there is no Designated Beneficiary as of September 30 of the year following the year of the Member's death, then distributions of the Member's entire interest must be completed by December 31 of the calendar year that contains the fifth anniversary of the Member's death.

4. Death of Surviving Spouse Who Is the Sole Designated Beneficiary

If the Member's surviving Spouse is the Member's sole Designated Beneficiary and the surviving Spouse dies after the Member but before distributions to the surviving Spouse are required to begin, then this Section VI.A, other than Section VI.A.1, applies as if the surviving Spouse were the Member.

5. Election of Five Year Rule

A Designated Beneficiary may elect, at the time and in the manner determined by the Association, to have the five year rule of Section VI.A.3 apply, but solely to the extent that the Designated Beneficiary may elect, under the CERL, a benefit which will be paid in the required time period.

B. When Distributions Are Considered to Begin

For purposes of this Section VI, unless Section VI.A.4 applies, distributions are considered to begin on the Member's Required Beginning Date. If Section VI.A.4 applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under Section VI.A.1. If distributions under an RMD Annuity meeting the requirements of this policy commence to the Member before the Member's Required Beginning Date (or to the Member's surviving Spouse before the date distributions are required to begin to the surviving Spouse under Section VI.A.1), the date distributions are considered to begin is the date distributions actually commence.

C. Length of Distribution Period

1. Member Is Survived by a Designated Beneficiary

a. General Rule

If a Designated Beneficiary survives the Member, the Member's entire interest in the Association shall be distributed over the life of the Designated Beneficiary or over a period certain that does not exceed the period specified in paragraph C.1.b below.

b. Period Certain

The period certain in paragraph C.1.a above may not exceed the Designated Beneficiary's life expectancy determined using the Single Life Table in Treasury regulations section 1.401(a)(9)-9, Q&A-1. If the Annuity Starting Date is in the first Distribution Calendar Year, the life expectancy shall be determined using the Designated Beneficiary's age as of the beneficiary's birthday in the calendar year immediately following the calendar year of the Member's death. If the Annuity Starting Date is before the first Distribution Calendar Year, then the life expectancy is determined using the Designated Beneficiary's age in the calendar year that contains the Annuity Starting Date.

2. No Designated Beneficiary

If there is no Designated Beneficiary as of the September 30 of the year following the year of the Member's death, distribution of the Member's entire interest must be completed by December 31 of the calendar year containing the fifth anniversary of the Member's death.

3. Death of Surviving Spouse before Distributions to Spouse Begin

If the Member's surviving Spouse is the Member's sole Designated Beneficiary, and the surviving Spouse dies before distributions to the surviving Spouse begin, this Section VI.C shall apply as if the surviving Spouse were the Member, except that the time that distributions are required to begin is determined without regard to Section VI.A.1.

## VII. Special Rules

### A. RMD Annuity Payment Increases

RMD Annuity payments will either not increase over time or increase only as follows:

1. Cost of Living Adjustments

a. Annual COLA Increases

RMD Annuity payments may increase by an annual percentage that does not exceed the percentage increase in an eligible cost-of-living index, as defined in Q&A-14(b) of section 1.401(a)(9)-6 of the Treasury regulations, for a 12-month period ending in the year during which the increase occurs or a prior year.

b. Cumulative COLA Increases

RMD Annuity payments may increase by a percentage increase that occurs at specified times and does not exceed the cumulative total of annual percentage increases in an eligible cost-of-living index, as defined in the preceding paragraph since the Annuity Starting Date, or if later, the date of the most recent percentage increase.

c. Additional COLA Increases

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b) and taking into account the vested rights in retirement benefits created by the California Constitution, RMD Annuity payments may increase by a percentage or amount that is determined by the Association, in accordance with the CERL, to represent an appropriate amount to take account of cost of living increases affecting retirees or beneficiaries.

2. "Pop-Ups"

RMD Annuity Payments may increase to the extent of the reduction in the amount of the Member's payments to provide for a survivor benefit, but only if there is no longer a survivor benefit because the beneficiary whose life was being used to determine the distribution period dies or is no longer the Member's beneficiary pursuant to a domestic relations order under applicable state law.

3. Plan Amendment

Benefits may increase if they result from an amendment to, or interpretation of, the CERL, PEPPRA, or any other applicable law governing benefits for Members or from an ordinance, resolution or regulation pursuant to such law.

4. Other Benefits

Benefits may increase (i) to the extent increases are permitted in accordance with paragraph (c) or (d) of Q&A-14 of section 1.401(a)(9)-6 of the Treasury regulations dealing with additional permitted increases for annuity payments under annuity contracts purchased from an insurance company and additional permitted increases for annuity payments from a qualified trust; (ii) pursuant to section 31691.1 of the CERL; and (ii) pursuant to sections 31681.1 et. seq., and 31739 et. seq. of the CERL.

B. Additional Accruals after First Distribution Calendar Year

Any additional benefits accruing to the Member in a calendar year after the first Distribution Calendar Year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such benefit accrues.

C. Domestic Relations Orders

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if Article 8.4 of the CERL applies (relating to the establishment of separate accounts under domestic relations orders), then both the Member and the Member's former Spouse shall be deemed to be separate Members of the Association for purposes of this policy and Code section 401(a)(9).

#### D. Reciprocal Member

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, if a deferred Member is a current employee and a member of another retirement system with which the Association has reciprocity under California law, then for purposes of determining the Required Beginning Date under the Association the Member shall be treated as a current employee of the Association and as such, as if he or she had not retired, even if he or she has attained age 70½.

#### E. Public Safety Member Killed in Line of Duty

Under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(b), and taking into account the vested rights in retirement benefits created by the California Constitution, any additional retirement benefits paid under CERL section 31787.5 to the surviving Spouse of a public safety Member killed in the line of duty shall not be limited by Code section 401(a)(9) because they shall be treated as incidental death benefits.

#### F. Rollovers

Amounts that are required minimum distributions cannot be rolled over to another qualified retirement plan or other tax-favored vehicle. The amount that cannot be rolled over shall be determined in accordance with Treasury regulations section 1.402(c)-2, Q&A-7.

#### G. Payments to Surviving Child Treated as Made to Surviving Spouse

Solely to the extent required by Code section 401(a)(9) and under a good faith interpretation of the Code and Treasury regulations section 1.401(a)(9)-6, Q&A-2(c) and taking into account the vested rights in retirement benefits created by the California Constitution, for purposes of Code section 401(a)(9) and is policy, payments to a Member's surviving child in accordance with the requirements of Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations shall be treated as if such payments had been made to the Member's surviving Spouse to the extent the payments become payable to the surviving Spouse upon the child's attainment of the age of majority, as determined in accordance with Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations, or upon the occurrence of such other event specified in Q&A-15 of section 1.401(a)(9)-6 of the Treasury regulations, or as otherwise specified in IRS guidance under Code section 401(a)(9).

**VIII.** This policy is intended to be in accordance with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable federal law will govern.



**IX. Policy Review**

Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

**X. History**

- 01/01/2015 Effective Date of Bylaw Section 25
- 03/20/2018 Bylaw Section 25 Converted to Board Policy and Board of Supervisors approved Bylaws
- 07/06/2018 Staff updated format
- 09/11/2018 Annual review, deleted Article 5.5 reference
- 04/12/2019 Policy Review section amended to at least once every three years
- 04/10/2020 Policy amended to reflect federal law increasing RMD to 72
- 07/09/2021 Minor edits by tax counsel

**Certification of Board Adoption:**

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	07/09/2021
Clerk of the Board	Date



# Return to Work and Bona Fide Separation from Service – IRC 401(a)

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## I. Purpose

- A. This policy reaffirms and clarifies the existing practices of the Association with respect to retired Members who return to work after retirement, and such retired Members' return to work of retired Members and a bona fide separation from service, prior to such return to work applicable for the Association in accordance with Internal Revenue Code section 401(a) and Treasury regulations issued thereunder.

## II. Return to Work and Bona Fide Separation from Service

- A. A Member who retired for service and has not attained normal retirement age (as established by the Association) may not return to work for any governmental entity participating in the Association unless he or she has had shall have a bona fide separation from service, to the extent required by Code section 401(a) for purposes of employment after retirement with a governmental entity participating in the Association. A bona fide separation from service means that the following conditions are satisfied ~~is defined as follows:~~

### 1. No Prearranged Agreement to Return to Work

- a. Prior to the date the Member's retirement commences, the Member has not entered into any predetermined agreement (either written or unwritten) with a participating employer to return to work after retirement, regardless of the length of the separation from service.

### 2. Minimum Period of Separation from Service

- a. Prior to entering into an agreement to return or returning to employment with a participating employer while retired, the Member must have a separation from service of at least the greater of
- i. Any required separation from service prior to return to work required by state law or
  - ii. A continuous 90 calendar day separation from service.

### 3. Exception

- a. The Member may be employed by a participating employer prior to the time Minimum Period of Separation from Service listed in subsections ~~1~~ and 2 above for emergency situations, as defined in California Government Code section 8558. However, this exception does not apply to the requirement listed in subsection 1 above that there be no prearranged agreement to return to work.

### 4. Member's Written Acknowledgment

- a. The member must acknowledge in writing to SJCERA 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. The member must also acknowledge that the member has been informed that if the member does not comply with all of the requirements regarding post-retirement employment, the member's retirement benefit may be suspended until such requirements have been met.

**III. Code and Regulations Prevail**

- A. This policy is intended to be in accordance with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable law will govern.

**IV. Policy Review**

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

**V. History**

01/01/2015	Effective Date of Bylaw Section 24
12/08/2017	Extracted from Bylaws into policy
06/29/2018	Staff reviewed, no content changes; updated format
04/12/2019	Policy Review section amended to at least once every three years
<u>07/09/2021</u>	<u>Minor amendments by tax counsel</u>

**Certification of Board Adoption:**

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Clerk of the Board	07/09/2021 Date
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# Return to Work and Bona Fide Separation from Service – IRC 401(a)

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## I. Purpose

- A. This policy reaffirms and clarifies the existing practices of the Association with respect to retired Members who return to work after retirement, and such retired Members' bona fide separation from service, applicable for the Association in accordance with Internal Revenue Code section 401(a) and Treasury regulations issued thereunder.

## II. Return to Work and Bona Fide Separation from Service

- A. A Member who retired for service and has not attained normal retirement age (as established by the Association) may not return to work for any governmental entity participating in the Association unless he or she has had a bona fide separation from service, to the extent required by Code section 401(a). A bona fide separation from service means that the following conditions are satisfied:

### 1. No Prearranged Agreement to Return to Work

- a. Prior to the date the Member's retirement commences, the Member has not entered into any predetermined agreement (either written or unwritten) with a participating employer to return to work after retirement, regardless of the length of the separation from service.

### 2. Minimum Period of Separation from Service

- a. Prior to entering into an agreement to return or returning to employment with a participating employer while retired, the Member must have a separation from service of at least the greater of
- i. Any required separation from service prior to return to work required by state law or
  - ii. A continuous 90 calendar day separation from service.

### 3. Exception

- a. The Member may be employed by a participating employer prior to the Minimum Period of Separation from Service listed in subsection 2 above for emergency situations, as defined in California Government Code section 8558. However, this exception does not apply to the requirement listed in subsection 1 above that there be no prearranged agreement to return to work.

### 4. Member's Written Acknowledgment

- a. The member must acknowledge in writing to SJCERA 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. The member must also acknowledge that the member has been informed that if the member does not comply with all of the requirements regarding post-retirement employment, the member's retirement benefit may be suspended until such requirements have been met.

**III. Code and Regulations Prevail**

A. This policy is intended to be in accordance with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable law will govern.

**IV. Policy Review**

A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

**V. History**

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07/09/2021	Minor amendments by tax counsel

**Certification of Board Adoption:**

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Clerk of the Board	07/09/2021
	Date



## Rollovers – IRC 401(a)(31) and 402(c)

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### I. Purpose

- A. This policy reaffirms and clarifies the existing practices of the Association with respect to rollover distributions from and contributions into the Association under Internal Revenue Code section 401(a)(31) and 402(c) and Treasury regulations issued thereunder.

### II. Rollover Distributions from the Association

#### A. Rollovers

1. Direct Rollover: A "Direct Rollover" is that portion of an Eligible Rollover Distribution that the Association pays directly to an Eligible Retirement Plan, and may also be referred to as a trustee-to-trustee transfer to an Eligible Retirement Plan, at the direction of an Eligible Individual.
2. Indirect Rollover: An "Indirect Rollover" is that portion of an Eligible Rollover Distribution that the Association pays directly to an Eligible Individual.

#### B. Eligible Individuals

1. Eligible Individual: Only an "Eligible Individual" may elect a Direct Rollover. An "Eligible Individual" is:
  - a. Terminated From Employment: A Member who has terminated employment from an Employer participating in the Association and who is eligible to withdraw his or her accumulated Member contributions from the Association;
  - b. Surviving Spouse: A deceased Member's surviving Spouse;
  - c. Alternate Payee: A Member's or former Member's Spouse or former Spouse who is the alternate payee under a domestic relations order, as defined in Code section 414(p), with regard to the interest of the Spouse or former Spouse; and
  - d. Non-Spouse Beneficiary: A deceased Member's non-spouse beneficiary who is a "designated beneficiary" under Code section 401(a)(9)(E), subject to the non-spouse beneficiary provisions in Section II . G herein.

#### 2. Spouse

- a. Effective June 26, 2013, consistent with Federal tax rules, the term "Spouse" means a person who is lawfully married under California law, including marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another jurisdiction whose laws authorize the marriage

of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term "Spouse" does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).

### C. Payments that Can and Cannot be Rolled Over

#### 1. Eligible Rollover Distribution Required

- a. The Association will pay a Direct Rollover on behalf of an Eligible Individual only if the payment is an "Eligible Rollover Distribution."

#### 2. Eligible Rollover Distribution Defined

- a. An "Eligible Rollover Distribution" is any distribution to an Eligible Individual of all or any portion of the amount credited to the Eligible Individual under the Association. These amounts may include (a) withdrawals of accumulated Member contributions, or (b) one-time lump sum death benefit payments.

#### 3. After-Tax Portion

- a. The portion of a distribution that consists of after-tax Member contributions may be rolled over if the after-tax funds are transferred in a direct trustee-to-trustee transfer to (i) a qualified trust or (ii) an annuity contract described in Code section 403(b). After-tax Member contributions may also be rolled over to an individual retirement account or annuity described in Code section 408(a) or (b). The qualified trust or annuity contract must separately account for the transferred after-tax amounts, and must also separately account for the earnings on the after-tax amounts.

#### 4. Exclusions From Eligible Rollover Distributions

- a. An Eligible Rollover Distribution does not include the following kinds of payments:
  - i. Periodic Payments: Payments that are part of a series of substantially equal periodic payments
    1. made at least once per year over the life (or life expectancy) of the Eligible Individual or the life (or life expectancy) of the Eligible Individual and his or her designated beneficiary, or
    2. made for a period of 10 years or more; or
  - ii. Required Distributions: Payments that are "required minimum distributions" under Code section 401(a)(9).

### D. Eligible Retirement Plans

1. Payment To Eligible Retirement Plan
  - a. The Association will pay an Eligible Rollover Distribution directly to an “Eligible Retirement Plan.”
2. Eligible Retirement Plan Defined. An “Eligible Retirement Plan” is:
  - a. An annuity plan described in Code section 403(a);
  - b. An annuity contract described in Code section 403(b);
  - c. A governmental eligible deferred compensation plan described in Code section 457(b) that agrees to separately account for amounts transferred into such plan from the Association;
  - d. An individual retirement annuity described in Code section 408(a);
  - e. An individual retirement account described in Code section 408(b);
  - f. A Roth IRA described in Code section 408A; or
  - g. A qualified trust described in Code section 401(a) (including defined benefit pension plans and defined contribution plans such as 401(k) plans, profit sharing plans, and money purchase plans).
3. Certain Exclusions
  - a. An Eligible Retirement Plan does not include, and a rollover cannot be made to, a SIMPLE IRA or a Coverdell Education Savings Account.

#### E. Direct Rollovers

1. Withholding and Direct Rollovers
  - a. The Association will not withhold any federal or state income taxes from a Direct Rollover. The only exception is that the Association will withhold federal or state income taxes from a Direct Rollover to a Roth IRA if the Eligible Individual requests that withholding on a form and in the manner prescribed by the Association.
2. Administrative Requirements, In General
  - a. An Eligible Individual who requests a Direct Rollover must complete a distribution form in the manner and form that the Association prescribes. The Association may require the Eligible Individual to provide any reasonable information and/or documentation for purposes of administering the Direct Rollover in accordance with the Code.
3. Rollover Check
  - a. The Eligible Individual must provide the Association with the name of the Eligible Retirement Plan to which the rollover check will be made payable for his or her benefit. If the Eligible Individual so chooses, the Association will provide this rollover check directly to the Eligible Individual who will be responsible for delivering the check to the recipient IRA or plan.



4. Eligible Individual's Responsibility Re Recipient Plan
  - a. The Eligible Individual is responsible for ensuring that any Eligible Retirement Plan that he or she has designated to receive the Eligible Individual's distribution from the Association in a Direct Rollover is an Eligible Retirement Plan that will accept and receive the rollover on his or her behalf in accordance with the applicable tax rules.
5. Time of Payment
  - a. The Association will pay a Direct Rollover on behalf of an Eligible Individual as soon as is reasonably and administratively practicable in accordance with its withdrawal and/or death benefit payment processes.

#### F. Indirect Rollovers

1. Choice of Indirect Rollover
  - a. An Eligible Individual, other than a non-Spouse beneficiary, may also choose to receive a rollover payment as an Indirect Rollover.
2. Indirect Rollover Withholding
  - a. An Indirect Rollover is subject to 20% federal income tax withholding and any applicable state withholding. The Association will withhold and deduct these taxes on behalf of the Eligible Individual as prescribed by applicable federal and state law.
3. Eligible Individual's Responsibility
  - a. It is the responsibility of the Eligible Individual to roll over all or some portion of his or her Indirect Rollover payment to an IRA or eligible employer plan within 60 days if he or she wants the payment to qualify as a rollover for tax purposes. If an Eligible Individual wants to roll over 100% of the payment, the Eligible Individual must replace the 20% that was withheld for federal income taxes (and any applicable state withholding) with other money.

#### G. Direct Rollover Of A Non-Spousal Distribution

1. Trustee-To-Trustee Transfer Required
  - a. A rollover on behalf of a non-Spouse beneficiary must be a direct or trustee-to-trustee transfer and may not be paid in the form of an Indirect Rollover.
2. Non-Spouse Beneficiaries who may Rollover ~~and Rollover~~ to Inherited IRA ~~Only~~
  - a. A non-Spouse beneficiary who is a "designated beneficiary" under Code section 401(a)(9)(E) may roll over all or any portion of the non-Spouse beneficiary's Eligible Rollover Distribution to an IRA that is established by the non-Spouse beneficiary for purposes of receiving the distribution

and that is treated as an “inherited IRA” under the Code. The IRA must be established in a manner that identifies it as an IRA with respect to a deceased individual and it must identify the deceased individual and the beneficiary (for example, “Tom Smith as beneficiary of John Smith”).

### 3. Trust As Beneficiary

- a. If the non-Spouse beneficiary is a trust, the Association may make a Direct Rollover to an IRA on behalf of the trust, provided the beneficiaries of the trust satisfy the requirements to be designated beneficiaries within the meaning of Code section 401(a)(9)(E). The IRA on behalf of the trust must be established in a manner that identifies it as an IRA with respect to a deceased individual and it must identify the deceased individual and the trust beneficiary (for example, “The Smith Family Trust as beneficiary of John Smith”).

## H. Notice Requirements

### 1. 402(f) Notice From The Association

- a. The Association will provide the tax notice required under Code section 402(f) to each Eligible Individual who requests a withdrawal from the Association.

### 2. Time Periods

- a. The Association will not process any withdrawals from the Association until 30 days after the date such notice is received by the Eligible Individual requesting the withdrawal.
- b. If, however, the Eligible Individual waives this 30-day period on a form and in the manner prescribed by the Association, the Association may process the withdrawal before the 30-day period expires.

## III. Rollover Contributions to the Association

A. Adoption of a policy providing for the acceptance of certain rollover contributions as determined below does not create any continuing entitlement for Eligible Members to make rollover contributions to the Association in the future, and the right to make rollover contributions to the Association may be amended or terminated at any time and for any reason.

B. If the Association has determined to permit any rollover contributions, the Association will permit Eligible Members to make a rollover contribution to the Association subject to the limitations and conditions described in this Section.

### C. General Rules

#### 1. Eligible Member

- a. An “Eligible Member” is an active Member of the Association, or is a deferred Member of the Association.

#### 2. Rollovers Allowed

- a. The Association will permit an Eligible Member to make a rollover contribution to the Association for
  - i. A purchase of permissive service credit (to the extent a purchase of permissive service credit is not prohibited under the CERL or PEPRA, or
  - ii. A redeposit of previously withdrawn accumulated member contributions.
3. Separate Accounting
  - a. The Association will separately account for all rollover contributions.
4. Certification to the Association
  - a. Only eligible rollover distributions as defined by Code section 402(c)(4) can be contributed to the Association.
    - i. The Eligible Member making a rollover contribution must provide the certifications required under subsections D, E, and F below, as applicable based on the source of the rollover distribution.
    - ii. The Association will not accept rollovers of any after-tax contributions, amounts attributable to designated Roth contributions, amounts that represent minimum required ~~contributions~~distributions, or any rollover that is an indirect rollover.
    - iii. Any funds transferred to SJCERA under this policy shall be by check made payable to the San Joaquin County Employees' Retirement Association "for the benefit of" (FBO) the Eligible Member.
5. Elections and Association Discretion
  - a. An Eligible Member must make an election to purchase permissive service credit or redeposit previously withdrawn accumulated member contributions with a rollover contribution in the manner and form that is prescribed by the Association.
  - b. The Association has final discretionary authority to determine whether any required information or documentation is satisfactory, whether a purchase of permissive service credit would be prohibited under PEPRA, and whether the Association will accept an Eligible Member's rollover contribution.
6. Correction of Errors
  - a. If the Association accepts a rollover contribution that it later determines was not eligible to be rolled over to the Association, the Association will distribute, as soon as administratively possible, the amount of the rollover contribution back to the Eligible Member, plus accumulated interest.

#### D. Rollovers From Qualified Plans

1. Acceptance Of Rollover

- a. The Association may accept a rollover from another plan that is qualified under Code section 401(a) and exempt from tax under Code section 501(a).

2. Required Due Diligence Procedure

- a. The Association must take reasonable steps to confirm the sending plan's tax-qualified status and that the rollover contribution is valid. The Association may rely on IRS guidance such as that provided in Revenue Ruling 2014-9 and any successor guidance with respect to simplified due diligence processes that may be allowed by the Internal Revenue Service.

- i. Required Certification

- 1) The Eligible Member must provide the Association a signed written certification from the transferring plan's administrator that the plan meets the requirements for a qualified plan under the Code and that the rollover contribution contains no after-tax or designated Roth contributions or earnings, nor any amounts representing a required minimum distribution under Code section 401(a)(9).
- 2) If an Eligible Member does not provide such evidence, the Association will not accept the rollover.

- b. Association Verification of Payment Source

- i. The Association must take reasonable steps to verify that the payment source (on the incoming check or wire transfer) is the former 401(a) plan of the Eligible Member as represented by the Eligible Member on his or her request to make a rollover.

- c. Association Verification that the Plan is a Tax-Qualified Plan

- i. The Association must take reasonable steps to verify that the rollover will be from a tax-qualified plan, which can include the following or any other methods allowed in guidance issued by the Internal Revenue Service.

- 1) The Eligible Member must provide one of the following to the Association demonstrating that the source of the rollover contribution is a qualified plan:
  - (a) a copy of the plan's most recent favorable determination letter from the Internal Revenue Service stating that the plan is tax-qualified and a written certification from the plan's administrator that the plan continues to be tax-qualified, or
  - (b) a written and signed certification from the plan's administrator that the source of the eligible rollover distribution is a qualified plan under Code section 401(a); or

- 2) If the qualified plan is required to file Form 5500 or Form 5500-SF,

then the Association may, but is not required to, look up the transferring plan's latest Form 5500 filing, if any, in the Department of Labor's EFAST2 database for assurance that the plan is intended to be a qualified plan. If the Association chooses to use EFAST2, it will check the entry on the line for characteristics indicating that the plan is intended to be a qualified plan (e.g., examining line 8a on the current Form 5500 or line 9a on Form 5500-SF). If Code 3C is not entered on these lines, the Association may reasonably conclude that the plan is qualified, unless the Association has any direct evidence to the contrary.

## E. Rollovers from an IRA

### 1. Acceptance of Rollover

- a. The Association may accept a rollover from an individual retirement account or annuity (IRA) described in Code section 408(a) or Code section 408(b).

### 2. Required Due Diligence Process

- a. The Association must take reasonable steps to confirm the IRA's status and that the rollover contribution is valid. The Association may rely on IRS guidance such as that provided in Revenue Ruling 2014-9 and any successor guidance with respect to simplified due diligence processes that may be allowed by the Internal Revenue Service.

- i. Required Certification: The Eligible Member must provide the following additional information to the Association:

- 1) A statement signed under penalty of perjury by the Eligible Member certifying that the rollover contribution is from his or her IRA and contains no after-tax or designated Roth contributions or earnings, nor any amounts representing a required minimum distribution under Code section 401(a)(9); or
- 2) If the Eligible Member cannot certify, with respect to the after-tax or designated Roth contributions, a signed certification from an accountant or tax advisor or the IRA trustee/custodian providing the amount of pre-tax contributions and after-tax or designated Roth contributions in the IRA.
- 3) The Association will only accept a rollover contribution from the IRA in the amount of the pre-tax contributions and earnings. If an Eligible Member does not provide such evidence, the Association will not accept the rollover.

- ii. Association Verification of Payment Source

- 1) The Association must take reasonable steps to verify that the payment source (on the incoming check or wire transfer) is the IRA of the Eligible Member as represented by the Eligible

Member on his or her request to make a rollover.

F. Rollover from Other Plans: 457(b) And 403(b)

1. Acceptance Of Rollover

- a. The Association may accept rollover contributions from an eligible plan under Code section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state (a "governmental 457(b) plan"), and an annuity contract described in Code section 403(b).

2. Required Due Diligence Procedure

- a. The Association must take reasonable steps to confirm the sending plan's status as an eligible 457(b) plan or an eligible Code section 403(b) annuity or custodial account and that the rollover contribution is valid. The Association may rely on IRS guidance such as that provided in Revenue Ruling 2014-9 and any successor guidance with respect to simplified due diligence processes that may be allowed by the Internal Revenue Service.

3. Required Certification

- a. The Eligible Member must provide the Association a signed certification from the transferring plan's administrator that the plan is an eligible 457(b) plan or an eligible Code section 403(b) annuity or custodial account, that the rollover contribution is valid, and that the rollover contribution contains no after-tax or designated Roth contributions or earnings.
- b. If an Eligible Member does not provide such evidence, the Association will not accept the rollover.

4. Association Verification of Payment Source

- a. The Association must take steps to verify that the payment source (on the incoming check or wire transfer) is the former eligible 457(b) or 403(b) plan of the Eligible Member as represented by the Eligible Member on his or her request to make a rollover.

5. Association Verification that the Plan is an Eligible Plan

- a. The Association must take reasonable steps to verify that the rollover will be from an eligible 457(b) plan or 403(b) plan which can include the following or any other methods allowed in guidance issued by the Internal Revenue Service.
  - i. The Eligible Member must provide one of the following to the Association demonstrating that the source of the rollover contribution is an eligible governmental 457(b) plan or a Code section 403(b) plan:

- 1) A copy of the transferring plan's most recent private letter ruling from the Internal Revenue Service stating that the transferring plan qualifies as an eligible governmental 457(b) plan or a Code section 403(b) plan, as applicable, and a signed certification from the transferring plan's administrator that the transferring plan continues to be so qualified, or
  - 2) A signed certification from the transferring plan's administrator that the rollover distribution source is an eligible governmental 457(b) plan or a Code section 403(b) plan, as applicable.
- ii. If the 457(b) or 403(b) plan is required to file Form 5500 or Form 5500-SF, then the Association may, but is not required to, look up the transferring plan's latest Form 5500 filing, if any, in the Department of Labor's EFAST2 database for assurance that the plan is intended to be a qualified plan. If the Association chooses to use the EFAST 2, the Association will check the entry on the line for characteristics indicating the plan is intended to be an eligible 457(b) or 403(b) plan (e.g., examining line 8a on the current Form 5500 or line 9a on Form 5500-SF). If Code 3C is not entered on these lines, the Association may reasonably conclude that the plan is an eligible plan.
  - iii. If the above verification cannot be made, the Association will not accept the rollover.

#### **IV. Code and Regulations Prevail**

- A. This policy is intended to comply with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable federal law will govern.

#### **V. Policy Review**

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

#### **VI. History**

01/01/2015	Effective Date of Bylaw Section 22
12/05/2017	Extracted from Bylaws into policy
06/28/2018	Staff reviewed, no content changes; updated format
04/12/2019	Policy Review section amended to at least once every three years
<u>07/09/2021</u>	<u>Minor edits by tax counsel</u>

#### **Certification of Board Adoption:**

	07/09/2021
Clerk of the Board	Date



## Rollovers – IRC 401(a)(31) and 402(c)

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### I. Purpose

- A. This policy reaffirms and clarifies the existing practices of the Association with respect to rollover distributions from and contributions into the Association under Internal Revenue Code section 401(a)(31) and 402(c) and Treasury regulations issued thereunder.

### II. Rollover Distributions from the Association

#### A. Rollovers

1. Direct Rollover: A "Direct Rollover" is that portion of an Eligible Rollover Distribution that the Association pays directly to an Eligible Retirement Plan, and may also be referred to as a trustee-to-trustee transfer to an Eligible Retirement Plan, at the direction of an Eligible Individual.
2. Indirect Rollover: An "Indirect Rollover" is that portion of an Eligible Rollover Distribution that the Association pays directly to an Eligible Individual.

#### B. Eligible Individuals

1. Eligible Individual: Only an "Eligible Individual" may elect a Direct Rollover. An "Eligible Individual" is:
  - a. Terminated From Employment: A Member who has terminated employment from an Employer participating in the Association and who is eligible to withdraw his or her accumulated Member contributions from the Association;
  - b. Surviving Spouse: A deceased Member's surviving Spouse;
  - c. Alternate Payee: A Member's or former Member's Spouse or former Spouse who is the alternate payee under a domestic relations order, as defined in Code section 414(p), with regard to the interest of the Spouse or former Spouse; and
  - d. Non-Spouse Beneficiary: A deceased Member's non-spouse beneficiary who is a "designated beneficiary" under Code section 401(a)(9)(E), subject to the non-spouse beneficiary provisions in Section II . G herein.

#### 2. Spouse

- a. Effective June 26, 2013, consistent with Federal tax rules, the term "Spouse" means a person who is lawfully married under California law, including marriages recognized under California Family Code section 308 that were entered into in another jurisdiction (another state, the District of Columbia, a United States territory or a foreign jurisdiction) which also include marriages of same-sex individuals that were validly entered into in another jurisdiction whose laws authorize the marriage



of two individuals of the same sex even if the married couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriage. In accordance with Federal tax rules, the term "Spouse" does not include individuals who have entered into a registered domestic partnership, civil union, or other similar formal relationship recognized under the law of another jurisdiction that is not denominated as a marriage under the laws of that state (whether opposite-sex or same-sex relationships).

### C. Payments that Can and Cannot be Rolled Over

#### 1. Eligible Rollover Distribution Required

- a. The Association will pay a Direct Rollover on behalf of an Eligible Individual only if the payment is an "Eligible Rollover Distribution."

#### 2. Eligible Rollover Distribution Defined

- a. An "Eligible Rollover Distribution" is any distribution to an Eligible Individual of all or any portion of the amount credited to the Eligible Individual under the Association. These amounts may include (a) withdrawals of accumulated Member contributions, or (b) one-time lump sum death benefit payments.

#### 3. After-Tax Portion

- a. The portion of a distribution that consists of after-tax Member contributions may be rolled over if the after-tax funds are transferred in a direct trustee-to-trustee transfer to (i) a qualified trust or (ii) an annuity contract described in Code section 403(b). After-tax Member contributions may also be rolled over to an individual retirement account or annuity described in Code section 408(a) or (b). The qualified trust or annuity contract must separately account for the transferred after-tax amounts, and must also separately account for the earnings on the after-tax amounts.

#### 4. Exclusions From Eligible Rollover Distributions

- a. An Eligible Rollover Distribution does not include the following kinds of payments:
  - i. Periodic Payments: Payments that are part of a series of substantially equal periodic payments
    1. made at least once per year over the life (or life expectancy) of the Eligible Individual or the life (or life expectancy) of the Eligible Individual and his or her designated beneficiary, or
    2. made for a period of 10 years or more; or
  - ii. Required Distributions: Payments that are "required minimum distributions" under Code section 401(a)(9).

### D. Eligible Retirement Plans

1. Payment To Eligible Retirement Plan
  - a. The Association will pay an Eligible Rollover Distribution directly to an “Eligible Retirement Plan.”
2. Eligible Retirement Plan Defined. An “Eligible Retirement Plan” is:
  - a. An annuity plan described in Code section 403(a);
  - b. An annuity contract described in Code section 403(b);
  - c. A governmental eligible deferred compensation plan described in Code section 457(b) that agrees to separately account for amounts transferred into such plan from the Association;
  - d. An individual retirement annuity described in Code section 408(a);
  - e. An individual retirement account described in Code section 408(b);
  - f. A Roth IRA described in Code section 408A; or
  - g. A qualified trust described in Code section 401(a) (including defined benefit pension plans and defined contribution plans such as 401(k) plans, profit sharing plans, and money purchase plans).
3. Certain Exclusions
  - a. An Eligible Retirement Plan does not include, and a rollover cannot be made to, a SIMPLE IRA or a Coverdell Education Savings Account.

#### E. Direct Rollovers

1. Withholding and Direct Rollovers
  - a. The Association will not withhold any federal or state income taxes from a Direct Rollover. The only exception is that the Association will withhold federal or state income taxes from a Direct Rollover to a Roth IRA if the Eligible Individual requests that withholding on a form and in the manner prescribed by the Association.
2. Administrative Requirements, In General
  - a. An Eligible Individual who requests a Direct Rollover must complete a distribution form in the manner and form that the Association prescribes. The Association may require the Eligible Individual to provide any reasonable information and/or documentation for purposes of administering the Direct Rollover in accordance with the Code.
3. Rollover Check
  - a. The Eligible Individual must provide the Association with the name of the Eligible Retirement Plan to which the rollover check will be made payable for his or her benefit. If the Eligible Individual so chooses, the Association will provide this rollover check directly to the Eligible Individual who will be responsible for delivering the check to the recipient IRA or plan.

4. Eligible Individual's Responsibility Re Recipient Plan
  - a. The Eligible Individual is responsible for ensuring that any Eligible Retirement Plan that he or she has designated to receive the Eligible Individual's distribution from the Association in a Direct Rollover is an Eligible Retirement Plan that will accept and receive the rollover on his or her behalf in accordance with the applicable tax rules.
5. Time of Payment
  - a. The Association will pay a Direct Rollover on behalf of an Eligible Individual as soon as is reasonably and administratively practicable in accordance with its withdrawal and/or death benefit payment processes.

#### F. Indirect Rollovers

1. Choice of Indirect Rollover
  - a. An Eligible Individual, other than a non-Spouse beneficiary, may also choose to receive a rollover payment as an Indirect Rollover.
2. Indirect Rollover Withholding
  - a. An Indirect Rollover is subject to 20% federal income tax withholding and any applicable state withholding. The Association will withhold and deduct these taxes on behalf of the Eligible Individual as prescribed by applicable federal and state law.
3. Eligible Individual's Responsibility
  - a. It is the responsibility of the Eligible Individual to roll over all or some portion of his or her Indirect Rollover payment to an IRA or eligible employer plan within 60 days if he or she wants the payment to qualify as a rollover for tax purposes. If an Eligible Individual wants to roll over 100% of the payment, the Eligible Individual must replace the 20% that was withheld for federal income taxes (and any applicable state withholding) with other money.

#### G. Direct Rollover Of A Non-Spousal Distribution

1. Trustee-To-Trustee Transfer Required
  - a. A rollover on behalf of a non-Spouse beneficiary must be a direct or trustee-to-trustee transfer and may not be paid in the form of an Indirect Rollover.
2. Non-Spouse Beneficiaries who may Rollover to Inherited IRA
  - a. A non-Spouse beneficiary who is a "designated beneficiary" under Code section 401(a)(9)(E) may roll over all or any portion of the non-Spouse beneficiary's Eligible Rollover Distribution to an IRA that is established by the non-Spouse beneficiary for purposes of receiving the distribution and that is treated as an "inherited IRA" under the Code. The IRA must

be established in a manner that identifies it as an IRA with respect to a deceased individual and it must identify the deceased individual and the beneficiary (for example, "Tom Smith as beneficiary of John Smith").

### 3. Trust As Beneficiary

- a. If the non-Spouse beneficiary is a trust, the Association may make a Direct Rollover to an IRA on behalf of the trust, provided the beneficiaries of the trust satisfy the requirements to be designated beneficiaries within the meaning of Code section 401(a)(9)(E). The IRA on behalf of the trust must be established in a manner that identifies it as an IRA with respect to a deceased individual and it must identify the deceased individual and the trust beneficiary (for example, "The Smith Family Trust as beneficiary of John Smith").

## H. Notice Requirements

### 1. 402(f) Notice From The Association

- a. The Association will provide the tax notice required under Code section 402(f) to each Eligible Individual who requests a withdrawal from the Association.

### 2. Time Periods

- a. The Association will not process any withdrawals from the Association until 30 days after the date such notice is received by the Eligible Individual requesting the withdrawal.
- b. If, however, the Eligible Individual waives this 30-day period on a form and in the manner prescribed by the Association, the Association may process the withdrawal before the 30-day period expires.

## III. Rollover Contributions to the Association

A. Adoption of a policy providing for the acceptance of certain rollover contributions as determined below does not create any continuing entitlement for Eligible Members to make rollover contributions to the Association in the future, and the right to make rollover contributions to the Association may be amended or terminated at any time and for any reason.

B. If the Association has determined to permit any rollover contributions, the Association will permit Eligible Members to make a rollover contribution to the Association subject to the limitations and conditions described in this Section.

### C. General Rules

#### 1. Eligible Member

- a. An "Eligible Member" is an active Member of the Association, or is a deferred Member of the Association.

#### 2. Rollovers Allowed

- a. The Association will permit an Eligible Member to make a rollover contribution to the Association for
  - i. A purchase of permissive service credit (to the extent a purchase of permissive service credit is not prohibited under the CERL or PEPRA, or
  - ii. A redeposit of previously withdrawn accumulated member contributions.
3. Separate Accounting
  - a. The Association will separately account for all rollover contributions.
4. Certification to the Association
  - a. Only eligible rollover distributions as defined by Code section 402(c)(4) can be contributed to the Association.
    - i. The Eligible Member making a rollover contribution must provide the certifications required under subsections D, E, and F below, as applicable based on the source of the rollover distribution.
    - ii. The Association will not accept rollovers of any after-tax contributions, amounts attributable to designated Roth contributions, amounts that represent minimum required distributions, or any rollover that is an indirect rollover.
    - iii. Any funds transferred to SJCERA under this policy shall be by check made payable to the San Joaquin County Employees' Retirement Association "for the benefit of" (FBO) the Eligible Member.
5. Elections and Association Discretion
  - a. An Eligible Member must make an election to purchase permissive service credit or redeposit previously withdrawn accumulated member contributions with a rollover contribution in the manner and form that is prescribed by the Association.
  - b. The Association has final discretionary authority to determine whether any required information or documentation is satisfactory, whether a purchase of permissive service credit would be prohibited under PEPRA, and whether the Association will accept an Eligible Member's rollover contribution.
6. Correction of Errors
  - a. If the Association accepts a rollover contribution that it later determines was not eligible to be rolled over to the Association, the Association will distribute, as soon as administratively possible, the amount of the rollover contribution back to the Eligible Member, plus accumulated interest.

#### D. Rollovers From Qualified Plans

1. Acceptance Of Rollover

- a. The Association may accept a rollover from another plan that is qualified under Code section 401(a) and exempt from tax under Code section 501(a).

2. Required Due Diligence Procedure

- a. The Association must take reasonable steps to confirm the sending plan's tax-qualified status and that the rollover contribution is valid. The Association may rely on IRS guidance such as that provided in Revenue Ruling 2014-9 and any successor guidance with respect to simplified due diligence processes that may be allowed by the Internal Revenue Service.

i. Required Certification

- 1) The Eligible Member must provide the Association a signed written certification from the transferring plan's administrator that the plan meets the requirements for a qualified plan under the Code and that the rollover contribution contains no after-tax or designated Roth contributions or earnings, nor any amounts representing a required minimum distribution under Code section 401(a)(9).
- 2) If an Eligible Member does not provide such evidence, the Association will not accept the rollover.

b. Association Verification of Payment Source

- i. The Association must take reasonable steps to verify that the payment source (on the incoming check or wire transfer) is the former 401(a) plan of the Eligible Member as represented by the Eligible Member on his or her request to make a rollover.

c. Association Verification that the Plan is a Tax-Qualified Plan

- i. The Association must take reasonable steps to verify that the rollover will be from a tax-qualified plan, which can include the following or any other methods allowed in guidance issued by the Internal Revenue Service.
  - 1) The Eligible Member must provide one of the following to the Association demonstrating that the source of the rollover contribution is a qualified plan:
    - (a) a copy of the plan's most recent favorable determination letter from the Internal Revenue Service stating that the plan is tax-qualified and a written certification from the plan's administrator that the plan continues to be tax-qualified, or
    - (b) a written and signed certification from the plan's administrator that the source of the eligible rollover distribution is a qualified plan under Code section 401(a); or

- 2) If the qualified plan is required to file Form 5500 or Form 5500-SF,

then the Association may, but is not required to, look up the transferring plan's latest Form 5500 filing, if any, in the Department of Labor's EFAST2 database for assurance that the plan is intended to be a qualified plan. If the Association chooses to use EFAST2, it will check the entry on the line for characteristics indicating that the plan is intended to be a qualified plan (e.g., examining line 8a on the current Form 5500 or line 9a on Form 5500-SF). If Code 3C is not entered on these lines, the Association may reasonably conclude that the plan is qualified, unless the Association has any direct evidence to the contrary.

## E. Rollovers from an IRA

### 1. Acceptance of Rollover

- a. The Association may accept a rollover from an individual retirement account or annuity (IRA) described in Code section 408(a) or Code section 408(b).

### 2. Required Due Diligence Process

- a. The Association must take reasonable steps to confirm the IRA's status and that the rollover contribution is valid. The Association may rely on IRS guidance such as that provided in Revenue Ruling 2014-9 and any successor guidance with respect to simplified due diligence processes that may be allowed by the Internal Revenue Service.

- i. Required Certification: The Eligible Member must provide the following additional information to the Association:

- 1) A statement signed under penalty of perjury by the Eligible Member certifying that the rollover contribution is from his or her IRA and contains no after-tax or designated Roth contributions or earnings, nor any amounts representing a required minimum distribution under Code section 401(a)(9); or
- 2) If the Eligible Member cannot certify, with respect to the after-tax or designated Roth contributions, a signed certification from an accountant or tax advisor or the IRA trustee/custodian providing the amount of pre-tax contributions and after-tax or designated Roth contributions in the IRA.
- 3) The Association will only accept a rollover contribution from the IRA in the amount of the pre-tax contributions and earnings. If an Eligible Member does not provide such evidence, the Association will not accept the rollover.

- ii. Association Verification of Payment Source

- 1) The Association must take reasonable steps to verify that the payment source (on the incoming check or wire transfer) is the IRA of the Eligible Member as represented by the Eligible

Member on his or her request to make a rollover.

F. Rollover from Other Plans: 457(b) And 403(b)

1. Acceptance Of Rollover

- a. The Association may accept rollover contributions from an eligible plan under Code section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state (a "governmental 457(b) plan"), and an annuity contract described in Code section 403(b).

2. Required Due Diligence Procedure

- a. The Association must take reasonable steps to confirm the sending plan's status as an eligible 457(b) plan or an eligible Code section 403(b) annuity or custodial account and that the rollover contribution is valid. The Association may rely on IRS guidance such as that provided in Revenue Ruling 2014-9 and any successor guidance with respect to simplified due diligence processes that may be allowed by the Internal Revenue Service.

3. Required Certification

- a. The Eligible Member must provide the Association a signed certification from the transferring plan's administrator that the plan is an eligible 457(b) plan or an eligible Code section 403(b) annuity or custodial account, that the rollover contribution is valid, and that the rollover contribution contains no after-tax or designated Roth contributions or earnings.
- b. If an Eligible Member does not provide such evidence, the Association will not accept the rollover.

4. Association Verification of Payment Source

- a. The Association must take steps to verify that the payment source (on the incoming check or wire transfer) is the former eligible 457(b) or 403(b) plan of the Eligible Member as represented by the Eligible Member on his or her request to make a rollover.

5. Association Verification that the Plan is an Eligible Plan

- a. The Association must take reasonable steps to verify that the rollover will be from an eligible 457(b) plan or 403(b) plan which can include the following or any other methods allowed in guidance issued by the Internal Revenue Service.
  - i. The Eligible Member must provide one of the following to the Association demonstrating that the source of the rollover contribution is an eligible governmental 457(b) plan or a Code section 403(b) plan:



- 1) A copy of the transferring plan's most recent private letter ruling from the Internal Revenue Service stating that the transferring plan qualifies as an eligible governmental 457(b) plan or a Code section 403(b) plan, as applicable, and a signed certification from the transferring plan's administrator that the transferring plan continues to be so qualified, or
  - 2) A signed certification from the transferring plan's administrator that the rollover distribution source is an eligible governmental 457(b) plan or a Code section 403(b) plan, as applicable.
- ii. If the 457(b) or 403(b) plan is required to file Form 5500 or Form 5500-SF, then the Association may, but is not required to, look up the transferring plan's latest Form 5500 filing, if any, in the Department of Labor's EFAST2 database for assurance that the plan is intended to be a qualified plan. If the Association chooses to use the EFAST 2, the Association will check the entry on the line for characteristics indicating the plan is intended to be an eligible 457(b) or 403(b) plan (e.g., examining line 8a on the current Form 5500 or line 9a on Form 5500-SF). If Code 3C is not entered on these lines, the Association may reasonably conclude that the plan is an eligible plan.
  - iii. If the above verification cannot be made, the Association will not accept the rollover.

#### **IV. Code and Regulations Prevail**

- A. This policy is intended to comply with the Internal Revenue Code (Code) and the applicable Treasury regulations. To the extent there is a conflict between this policy and the Code and Treasury regulations, the applicable federal law will govern.

#### **V. Policy Review**

- A. Staff shall review this Policy at least once every three years to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Retirement in accordance with the bylaws.

#### **VI. History**

01/01/2015	Effective Date of Bylaw Section 22
12/05/2017	Extracted from Bylaws into policy
06/28/2018	Staff reviewed, no content changes; updated format
04/12/2019	Policy Review section amended to at least once every three years
07/09/2021	Minor edits by tax counsel

#### **Certification of Board Adoption:**

	07/09/2021
Clerk of the Board	Date



# Board of Retirement Meeting

San Joaquin County Employees' Retirement Association

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## Agenda Items 6.05

July 9, 2021

**SUBJECT: Committee Charter Amendments**

**SUBMITTED FOR:      X   CONSENT       ACTION       INFORMATION**

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### RECOMMENDATION

The Administrative Committee recommends to the Board of Retirement the adoption of the proposed amendments to the committee charters described below.

### PURPOSE

To amend the committee charters to ensure that they remain relevant, appropriate, and in compliance, per Section III.C of the Administrative Committee Charter.

### DISCUSSION

In accordance with the Board's requirement that staff review one-third of the policies and charters annually, the following committee charter amendments are proposed:

- Audit Committee Charter – clarified the Committee oversees both financial and non-financial audits and delegation of authority to staff for non-financial audits
- Administrative Committee Charter – revised meeting dates and other non-substantive changes

JOHANNA SHICK  
Chief Executive Officer

GREG FRANK  
Management Analyst III



# Audit Committee Charter

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## I. Establishment

- A) The Board of Retirement has established an Audit Committee to assist in overseeing the audit function within SJCERA.

## II. Membership

- A) The Committee will consist of at least three and no more than four members of the Board of Retirement. The Board Chair will appoint members to the Committee, in accordance with the SJCERA Bylaws and designate one member to serve as the Committee Chair.
- B) To the extent possible, the Board Chair shall appoint members to the Committee that have expertise in accounting, auditing, financial reporting, and internal control. Although these desired traits are not mandatory, members should be sufficiently knowledgeable about these topics to make informed decisions with the assistance of a financial expert.

## III. Meetings

- A) The Committee will meet at least twice yearly for the audit entrance and exit conferences, and may convene additional meetings as circumstances require. All meetings are subject to the Brown Act.

## IV. Responsibilities

A) The Committee generally oversees SJCERA's audits including financial and other audits (such as cybersecurity and actuarial audits).

1) The Committee may delegate to staff the selection and oversight of non-financial auditors (as has been done with the Actuarial Audit), in consideration of staff's and SJCERA's experience with the type of audit, level of risk, and other factors.

A)B) The Committee's areas of responsibility for the financial audit are:

1) Overseeing the annual financial audit process including, but not limited to:

1)(a) Meeting with the Auditor to review the scope of the financial audit, including the responsibilities of the auditor, and the timing and estimated budget for the audit;

2)(b) Meeting with the auditor to review the audit findings;

(c) Meeting with SJCERA management to discuss management's response to the findings;

3)(d) Reporting to the Board on the audit findings and management's responses to the findings

- ~~4)2)~~ Overseeing the process for hiring, retaining, evaluating and terminating the Auditor;
- ~~5)3)~~ Ensuring the independence of the Auditor; and
- ~~6)~~ ~~Reporting to the Board on the audit findings and management's responses to the findings; and~~
- 4) Reviewing significant changes in accounting standards, policies, or practices that may impact SJCERA and report the results of that review to the Board.

**VI.V. Authority**

- A) The Audit Committee is an advisory committee to the Board. All Committee actions must be ratified or approved by the Board.

**VII.VI. Charter Review**

- A) The Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant, appropriate, and in compliance.

**VIII.VII. History**

- June 7, 2019 Adopted by Board of Retirement
- July 9, 2021 Clarified the Committee oversees both financial and non-financial audits and delegation authority

**Certification of Board Adoption:**

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07/09/2021

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Clerk of the Board Date



# Audit Committee Charter

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## II. Membership

- A) The Committee will consist of at least three and no more than four members of the Board of Retirement. The Board Chair will appoint members to the Committee, in accordance with the SJCERA Bylaws and designate one member to serve as the Committee Chair.
- B) To the extent possible, the Board Chair shall appoint members to the Committee that have expertise in accounting, auditing, financial reporting, and internal control. Although these desired traits are not mandatory, members should be sufficiently knowledgeable about these topics to make informed decisions with the assistance of a financial expert.

## III. Meetings

- A) The Committee will meet at least twice yearly for the audit entrance and exit conferences, and may convene additional meetings as circumstances require. All meetings are subject to the Brown Act.

## IV. Responsibilities

- A) The Committee generally oversees SJCERA's audits including financial and other audits (such as cybersecurity and actuarial audits).
  - 1) The Committee may delegate to staff the selection and oversight of non-financial auditors (as has been done with the Actuarial Audit), in consideration of staff's and SJCERA's experience with the type of audit, level of risk, and other factors.
- B) The Committee's areas of responsibility for the financial audit are:
  - 1) Overseeing the annual financial audit process including, but not limited to:
    - (a) Meeting with the Auditor to review the scope of the financial audit, including the responsibilities of the auditor, and the timing and estimated budget for the audit;
    - (b) Meeting with the auditor to review the audit findings;
    - (c) Meeting with SJCERA management to discuss management's response to the findings;
    - (d) Reporting to the Board on the audit findings and management's responses to the findings

- 2) Overseeing the process for hiring, retaining, evaluating and terminating the Auditor;
- 3) Ensuring the independence of the Auditor; and
- 4) Reviewing significant changes in accounting standards, policies, or practices that may impact SJCERA and report the results of that review to the Board.

**V. Authority**

- A) The Audit Committee is an advisory committee to the Board. All Committee actions must be ratified or approved by the Board.

**VI. Charter Review**

- A) The Committee will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant, appropriate, and in compliance.

**VII. History**

June 7, 2019	Adopted by Board of Retirement
July 9, 2021	Clarified the Committee oversees both financial and non-financial audits and delegation authority

**Certification of Board Adoption:**

---

	07/09/2021
Clerk of the Board	Date



# Administrative Committee Charter

## I. Establishment

- A) The Board of Retirement established the Administrative Committee to assist in overseeing administrative and governance functions.
- B) The Board Chair appoints members to the Committee, in accordance with the SJCERA Bylaws. The Committee must include at least one member who was elected to the Board by the membership.

## II. Meetings

- A) The Committee meets semiannually:
  - 1) Generally in November, to review the proposed budget and as needed to address mid-year budget adjustment (if any), or any other issue determined by the Committee Chair in consultation with the CEO and Board Chair as appropriate.
  - 2) Generally in June, to provide any input on the development or revision of SJCERA's bylaws, Board policies, and Committee Charters (if any), or any other issue determined by the Committee Chair in consultation with the CEO and Board Chair as appropriate.
- A) \_\_\_\_\_

## III. Responsibilities

- A) Financial
  - 1) Review SJCERA's proposed annual budget and make a recommendation to the Board regarding adoption.
  - 2) Review staff's request for a budget adjustment, if any, and make a recommendation to the Board regarding adoption.
  - 3) Review, develop and recommend to the Board for approval initiatives that would have a significant budgetary impact such as proposals to move office location or implement a new pension administration system.
- B) Human Resources
  - 1) Coordinate the recruitment process for the position of Retirement Administrator/Chief Executive Officer and recommend one or more candidates to the Board.
  - 2) Perform or coordinate the due diligence and selection processes for human resource consultants hired in connection with the position of the Retirement Administrator/CEO, including

interviewing firms, if necessary, and recommending firms to be appointed by the Board.

- 3) Review, develop and recommend to the Board for approval SJCERA’s succession plan

C) Policy Development and Review

- 1) Provide input to staff, as needed, on the development or revision of SJCERA bylaws, ~~and~~ Board policies, and Committee Charters.
- 2) Set the frequency at which staff must review Board policies to ensure they remain relevant, appropriate, and in compliance.

**IV. Authority**

- A) The Administrative Committee is an advisory committee to the Board. All Committee actions must be ratified or adopted by the Board.

**V. History**

November 9, 2018  
July 9, 2021

Adopted by Board of Retirement  
Revised meeting dates and added Committee Charters

**Certification of Board Adoption:**

---

Clerk of the Board 07/09/2021  
Date





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Revised meeting dates and added  
Committee Charters

**Certification of Board Adoption:**

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Clerk of the Board 07/09/2021  
Date



**RESOLUTION TITLE: BOARD ADMINISTRATION POLICY AND CHARTER AMENDMENTS**

**RESOLUTION NO. 2021-07-01**

WHEREAS, the Board of Retirement for the San Joaquin County Employees' Retirement Association ("SJCERA") administers SJCERA for the benefit of its members and their beneficiaries; and

WHEREAS, pursuant to Government Code Sections 31525, 31526 and 31527, the Board may make regulations, set policy and develop procedures to administer the system; and

WHEREAS, Board policies and charters are reviewed at least once every three years to ensure they remain relevant, appropriate, and in compliance; and

WHEREAS, SJCERA staff and the Administrative Committee have proposed the following policies remain unchanged:

- 1) Normal Retirement Age – IRC 401(a)
- 2) Retiree Medical Benefits Accounts – IRC 401(h)
- 3) Retirement Eligible Compensation

WHEREAS, SJCERA staff and the Administrative Committee have proposed policy and charter amendments as follows:

- 1) Annual Additions Limit – IRC 415(c) Policy – minor edits and other non-substantive changes by tax counsel
- 2) Annual Benefits Limit – IRC 415(b) Policy – minor edits and other non-substantive changes by tax counsel
- 3) Compensation Earnable Annual Limit – IRC 401(a)(17) – deleted the cost of living adjustment of \$260,000 for 2014 referenced in II.A.1
- 4) Document and Data Retention Policy – updated statutory reference, storage platform, and aligned with existing processes
- 5) Final Compensation Review Policy – added the principals for review, clarified the administrative role and other non-substantive changes
- 6) Required Minimum Distributions – IRC 401(a)(9) Policy – minor edits and other non-substantive changes by tax counsel
- 7) Return to Work and Bona Fide Separation from Service – IRC 401(a) Policy – minor edits and other non-substantive changes by tax counsel
- 8) Rollovers – IRC 401(a)(31) and 402(c) Policy – minor edits and other non-substantive changes by tax counsel
- 9) Audit Committee Charter – clarified the Committee oversees both financial and non-financial audits and delegation of authority to staff for non-financial audits
- 10) Administrative Committee Charter – revised meeting dates and other non-substantive changes

NOW, THEREFORE BE IT RESOLVED that the Board hereby adopts the proposed amendments to the above-referenced Board administration policies and charters.

PASSED AND APPROVED by the Board of Retirement of the San Joaquin County Employees' Retirement Association on the 9th day of July 2021.

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
MICHAEL RESTUCCIA, Chair

Attest:

\_\_\_\_\_  
RAYMOND McCRAY, Secretary



## #GetOffZero

### *The Case For Investing In Digital Assets*

July 2021

## Words of Wisdom

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*“Any plan conceived in moderation, must fail when circumstances are set in extremes...”*

**Prince Metternich**

*“We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don't let yourself be lulled into inaction...”*

**Bill Gates**



---

**In Challenging Investment Environment,  
*Need an ALPHA Driven Model***

## Four Ways to Make Returns, Must Take “Risk” in All Four, Be Compensated

Components of Long-Term Portfolio Returns		
Component	Average Return	Outlook DM EM
“Risk Free” Rate	4%	2% to 3%
Credit Risk	2%	1% to 2%
Equity Risk	5%	(3%) to 2%
<i>Illiquidity Risk</i>	5%	7%
Structuring Risk	Variable	Low

Note(s): Projected returns are not a guarantee of future results. Historical Averages Ibbotson Style Data for Stocks, Bonds, Cash for 1926-2011, Cambridge PE Data for Illiquidity Premium. Outlook estimates are current risk-free rates, current bond yields and forecast equity returns in developed and emerging markets from Bloomberg and GMO. Illiquidity forecast is MCCM estimate.

Source(s): Bloomberg, GMO, MCCM estimates



## Traditional Asset Class Returns Forecast Below Average In Coming Decade

### Exhibit 1: Expert Forecasts for Long-Term Asset-Class Returns

Firm	Date	U.S. Equities	Developed-Markets Equities	Emerging-Markets Equities	U.S. Bonds
BlackRock	Sep 2020	5%	7% <sup>a</sup>	6.40%	0.80%
JPMorgan <sup>b</sup>	Dec 2020	4.10%	5%-6%	7.20%	2.5% <sup>c</sup>
Morningstar Inv. Mgmt.	Dec 2020	-0.10%	4.80%	4.50%	1%
Research Affiliates	Dec 2020	2% <sup>d</sup>	6.30%	7.90%	1.10%
Vanguard	Dec 2020	3.7%–5.7%	7%–9% <sup>e</sup>	7%–9% <sup>e</sup>	0.75%–1.75%

<sup>a</sup> European equities.

<sup>b</sup> 10–15 year horizon.

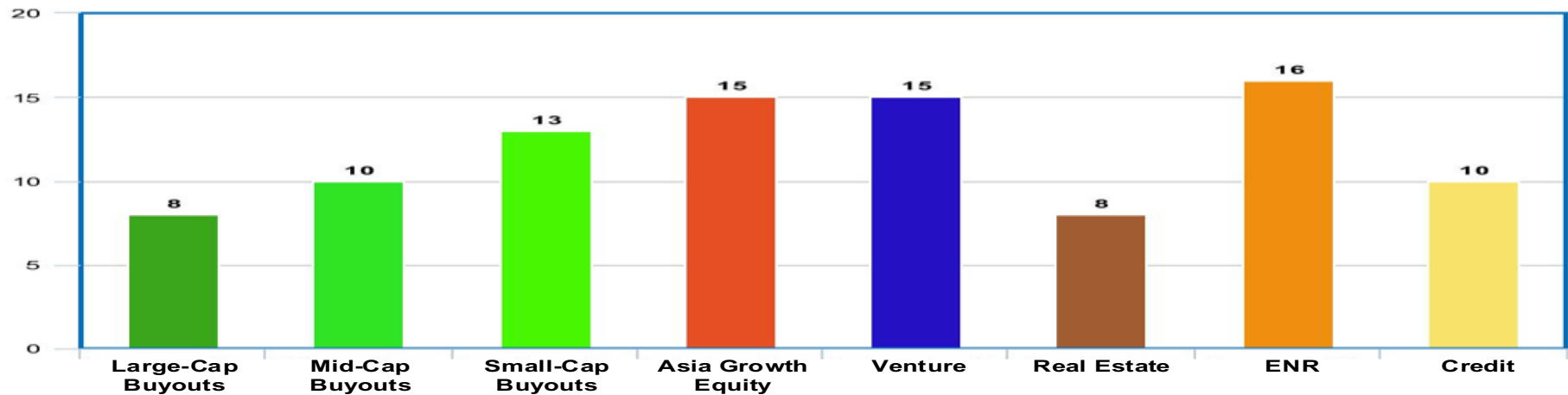
<sup>c</sup> Investment-grade corporates.

<sup>d</sup> U.S. large caps.

<sup>e</sup> Estimate is for all non-U.S. equities.

Source(s): Morningstar.com

# Illiquidity Premium: Private Investment Return Expectations Still Attractive



## Expectations Model

### Framework:

- Quantitative baseline: initial expectations based on long-term trend data from indices and Morgan Creek portfolios
- Qualitative adjustment: expectations adjusted for each markets' unique situation

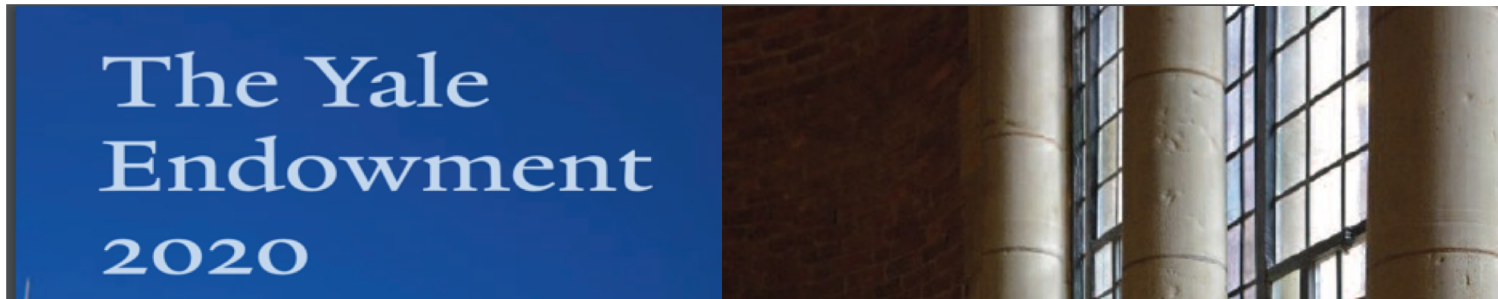
### Key inputs:

- **Dividend Yield:** expectations typically based on Morgan Creek manager data
- **Earnings Growth:** expectations typically based on long-term average historical earnings growth rates of indices or Morgan Creek portfolios
- **Leverage:** expectations typically based on Morgan Creek manager data and S&P/LCD averages
- **P/E Multiple:** expectations typically based on distribution of multiple
- **Fees:** based on typical fee structure of limited partnership

Note(s): Private credit expectation represents the average expected return for senior and subordinated debt strategies. Top quartile VC expectation is based on a 15-20% range. This document reflects opinions of Morgan Creek as of the time it was written and all such opinions are subject to change. There is no guarantee that these expectations will be met. No representation or warranty, express or implied, is given by Morgan Creek as to the accuracy of such opinions and no liability is accepted by such persons for the accuracy or completeness of any such opinions.

Source(s): Baird, S&P/LCD, Bloomberg, Thomson Reuters, Real Capital Analytics, PricewaterhouseCoopers, NCREIF, CapitalIQ, Morgan Creek.

# Best Performing Investment Portfolios Consistently Overweight Innovation



Asset Class	June 2020 Actual	June 2020 Target
Absolute Return	21.6 %	23.5 %
Domestic Equity	2.3	2.25
Foreign Equity	11.4	11.75
Leveraged Buyouts	15.8	17.5
Natural Resources	3.9	4.5
Real Estate	8.6	9.5
Venture Capital	22.6	23.5
Cash & Fixed Income	13.7	7.5

Breakdown of Innovation (Private and Hedge Funds) in Actual vs Target:
 

- Actual: 22% Hedge Funds, 28% Traditional, 50% Private
- Target: 24% Hedge Funds, 21% Traditional, 55% Private

Source(s): Yale Endowment 2018 Annual Report

# Top Venture Capitalists Embracing Blockchain Technology & Digital Assets

## BITCOIN & BLOCKCHAIN MOST ACTIVE INVESTORS

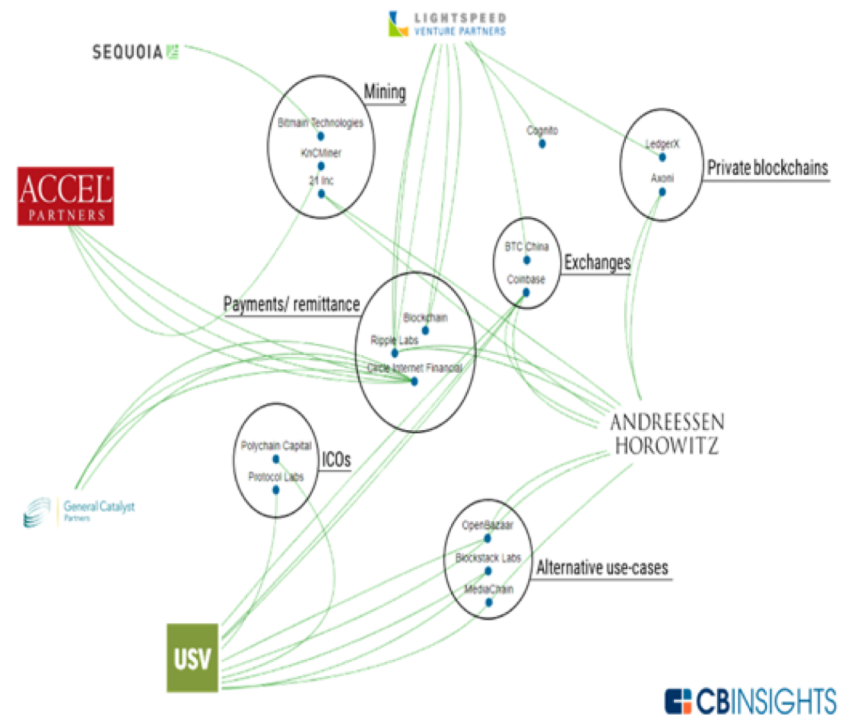
INVESTORS RANKED BY UNIQUE BITCOIN AND BLOCKCHAIN INVESTMENTS (2012 - 2017 YTD)

Investor	Rank	Select Companies
Digital Currency Group 	1	Circle, Coinbase, Blockstream 
Blockchain Capital 	2	Circle, Coinbase, Blockstream 
Draper Associates 	3	BitPesa, Wyre, Funderbeam 
Pantera Capital 	4	Circle, ChangeTip, Korbit 
RRE Ventures 	4	Gem, Abra, Case Wallet 
500 Startups 	4	Gyft, ChangeTip, Digital Currency Council 
Fenbushi Capital 	7	Tierion, Hashed Health, Juzhen Financials 
Andreessen Horowitz 	8	OpenBazaar, Coinbase, Axoni 
FuturePerfect Ventures 	9	BitPesa, Abra, Blockstream 
Union Square Ventures 	9	OpenBazaar, Coinbase, Blockstack 

CBINSIGHTS

## Select brand-name investors and blockchain investments

Equity funding (excluding altcoins and initial coin offerings). 2012 - 2017 YTD (10/08/2017)



Source(s): @CBInsights

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## Why Is Blockchain Technology So Important?

## Words of Wisdom

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Andy Grove defines inflection points as “an event that changes the way we think and act.” **There are few skills as powerful as understanding when things change.**

Given the amorphous nature of an inflection point, how do you know the right moment to take appropriate action, to make the changes that will save your company or your career? Unfortunately, you don't.

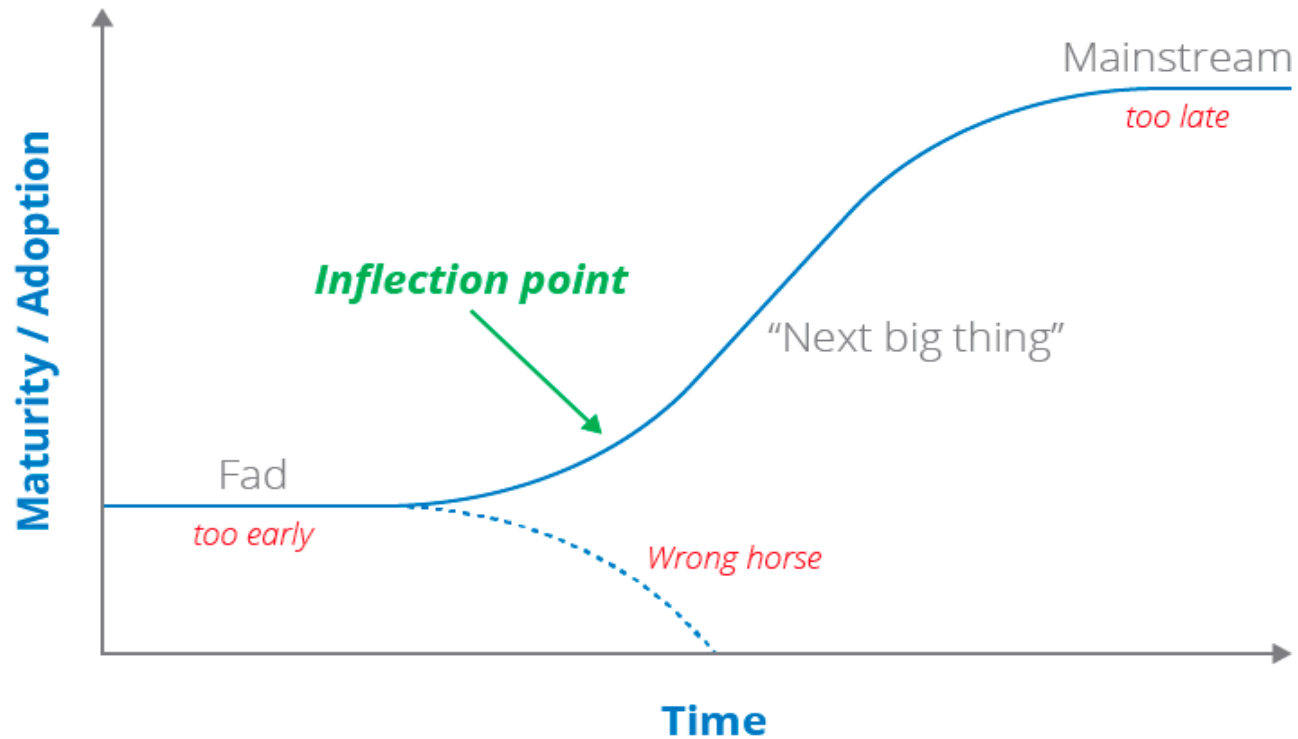
**But you can't wait until you do know:** Timing is everything...When you're caught in the turbulence of a strategic inflection point, the sad fact is that instinct and judgment are all you've got to guide you through.

[Only the Paranoid Survive](#), Andy Grove, 1998

“Think of the change in your environment, technological or otherwise, as a blip on your radar screen. You can't tell what that blip represents at first, but you keep watching radar scan after radar scan, looking to see if the object is approaching, what its speed is, and what shape it takes as it comes closer. Even if it lingers on your periphery, you still keep an eye on it because its course and speed may change.”

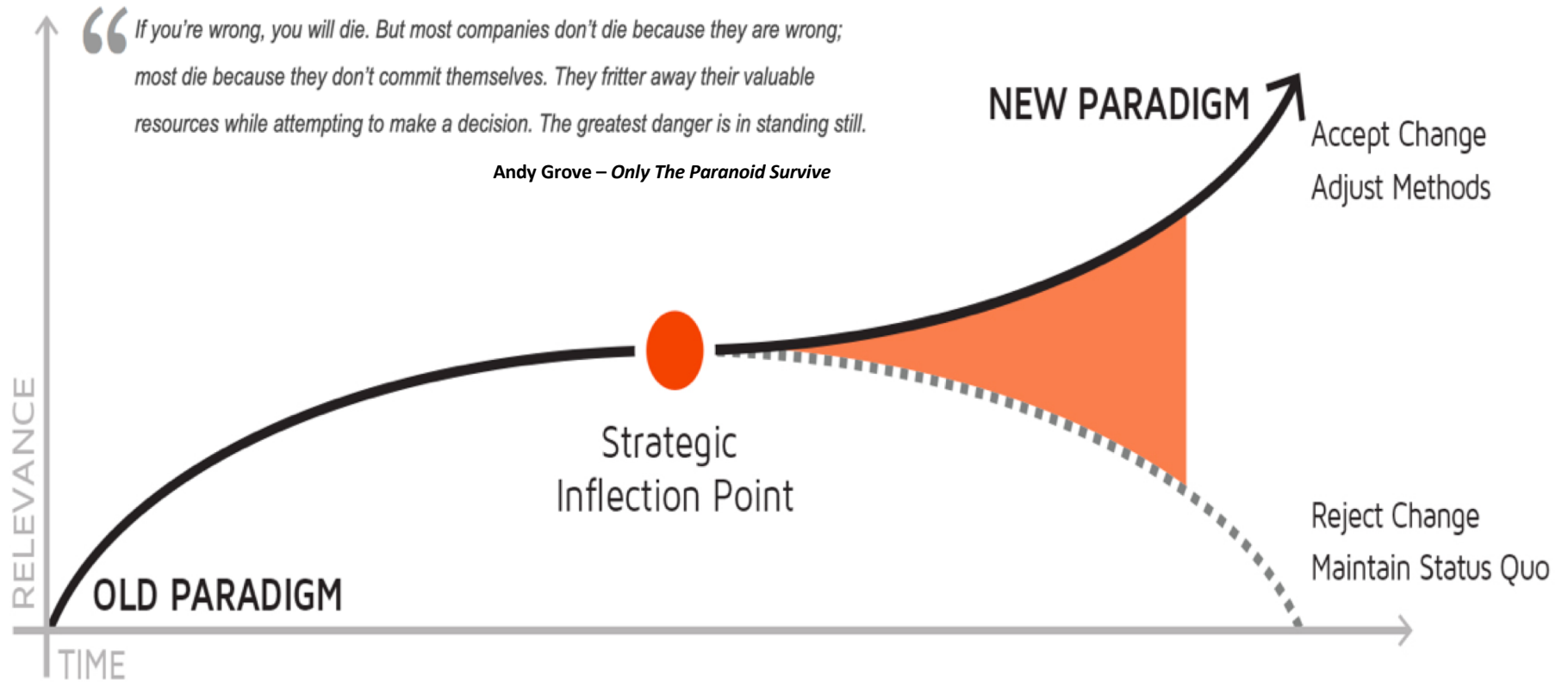
[Only the Paranoid Survive](#), Andy Grove, 1998

# Traditional Way To Think About Inflection Points Is As A Wave Of Innovation



Source(s): ThoughtWorks.com

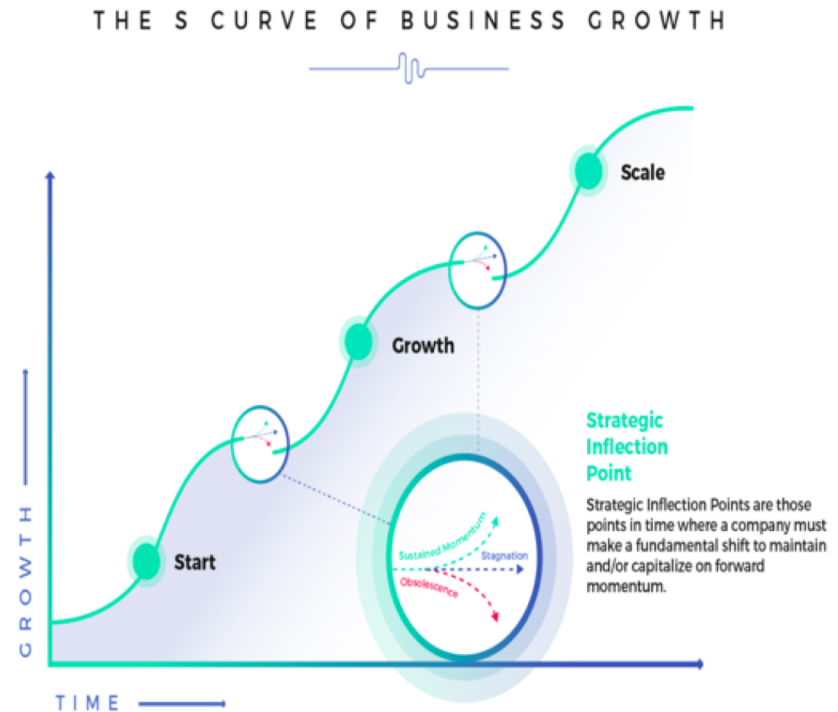
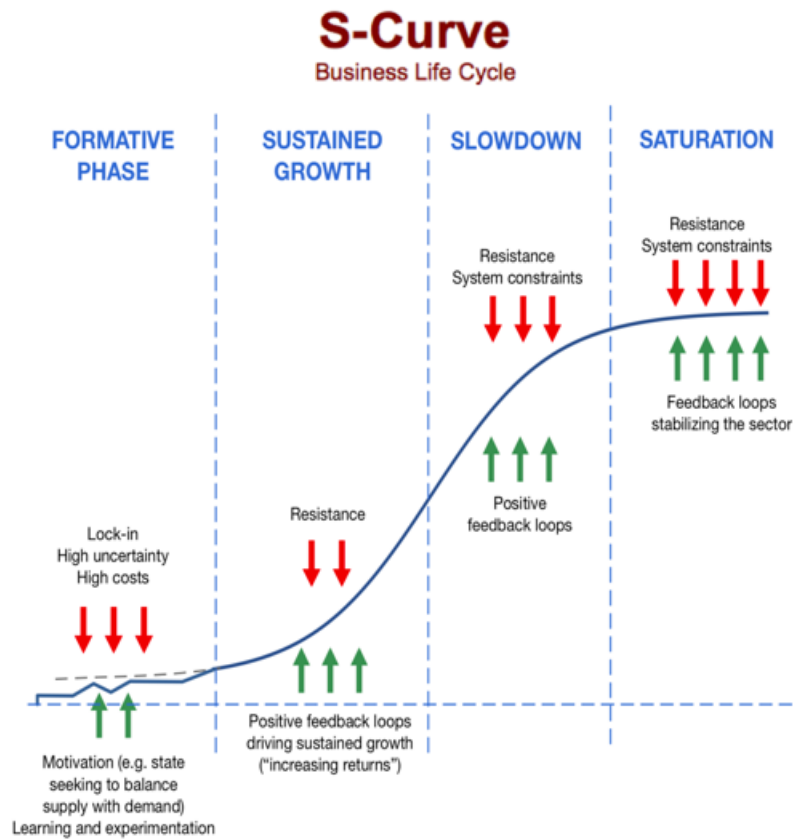
# Alternative View Of Inflection Points Is Strategic Response To Innovation



Source(s): DigitalClarityGroup.com



# Businesses Face Series Of Strategic Inflection Points Along S-Curve Cycle



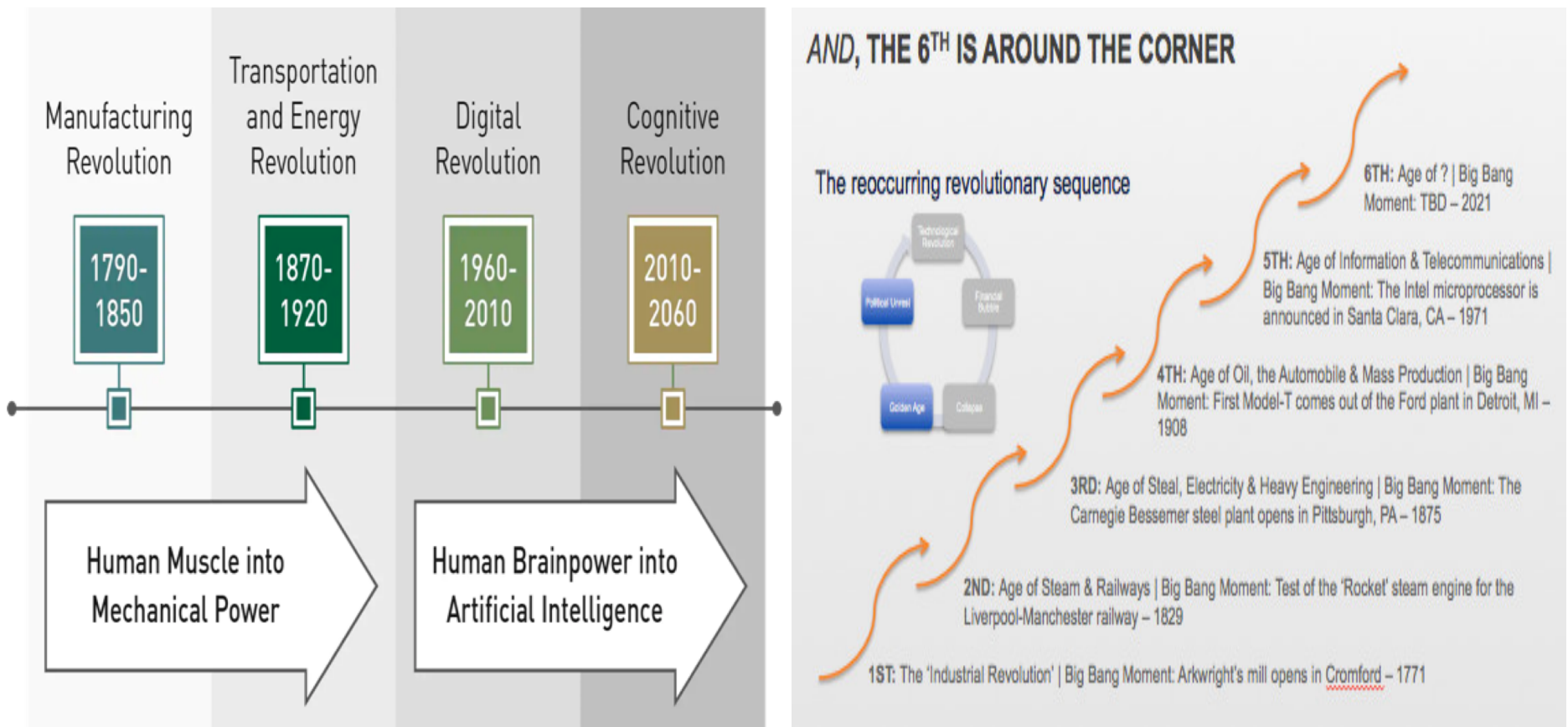
ROCKET  
SOURCE

Source(s): thegeniusworks.com,

MORGAN CREEK  
CAPITAL MANAGEMENT

ALTERNATIVE THINKING ABOUT INVESTMENTS

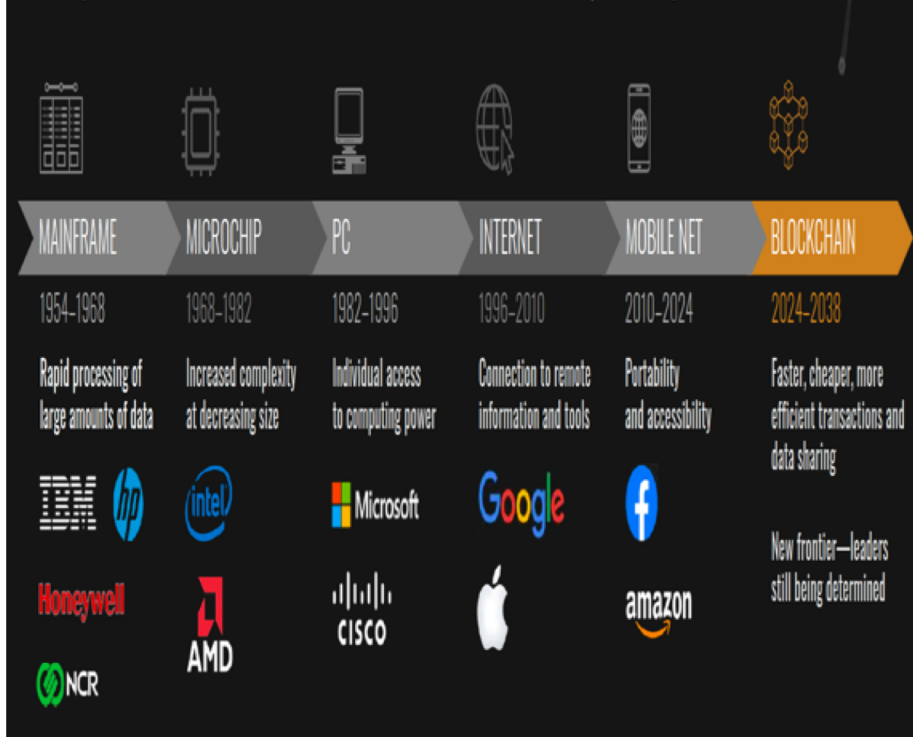
# Innovation & Disruption Driven By Long Cycle Revolutions In Technology



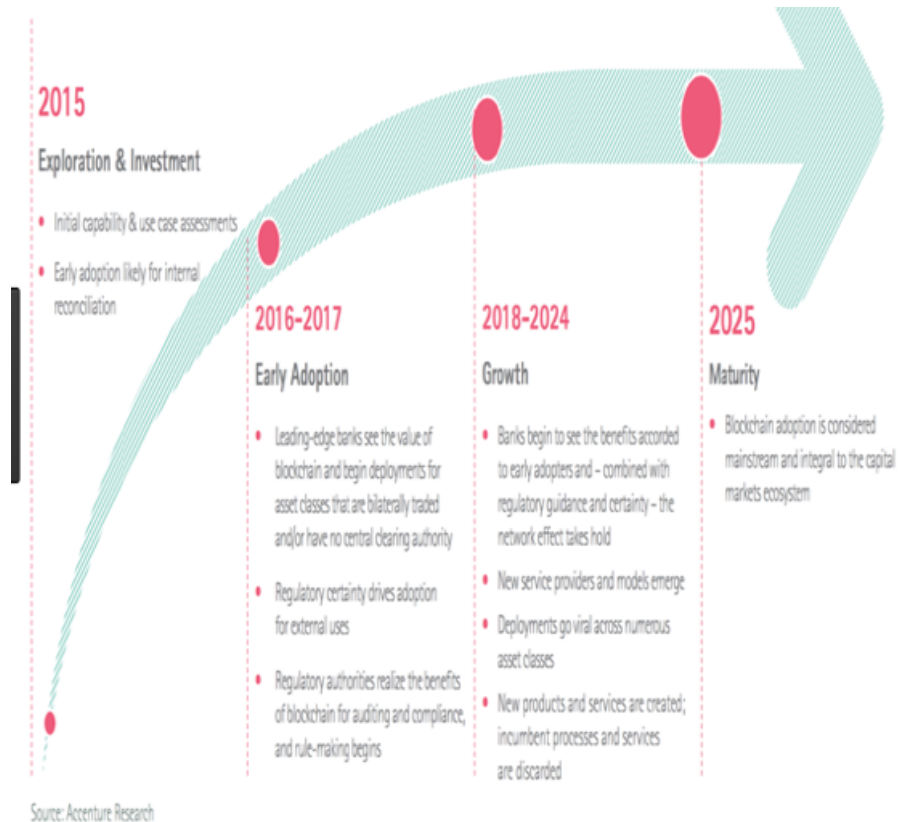
Source(s): LordAbbett.com, @LinkedIn, David Fossas

# Information Age Evolving Into Digital Age, Setting Up Cognitive Revolution

• Technological advancements have historically moved forward in distinct "eras," driven by the disruptive technologies of their time:



## Major Tech Cycle 1954, 1968, 1982, 1996, 2010, 2024...



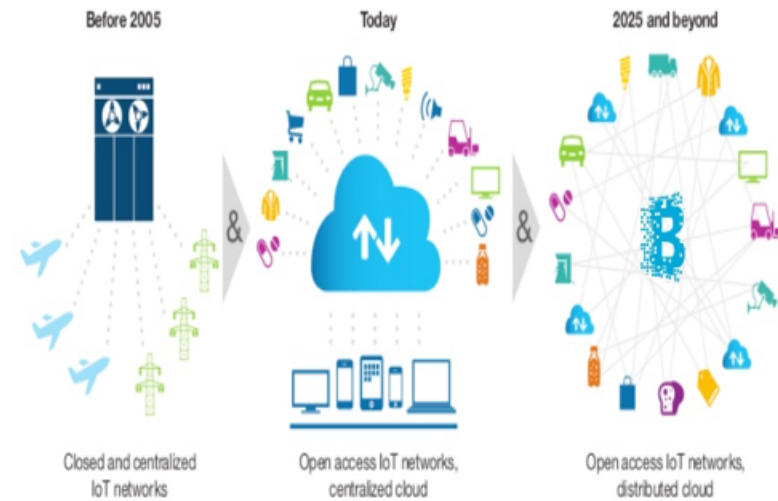
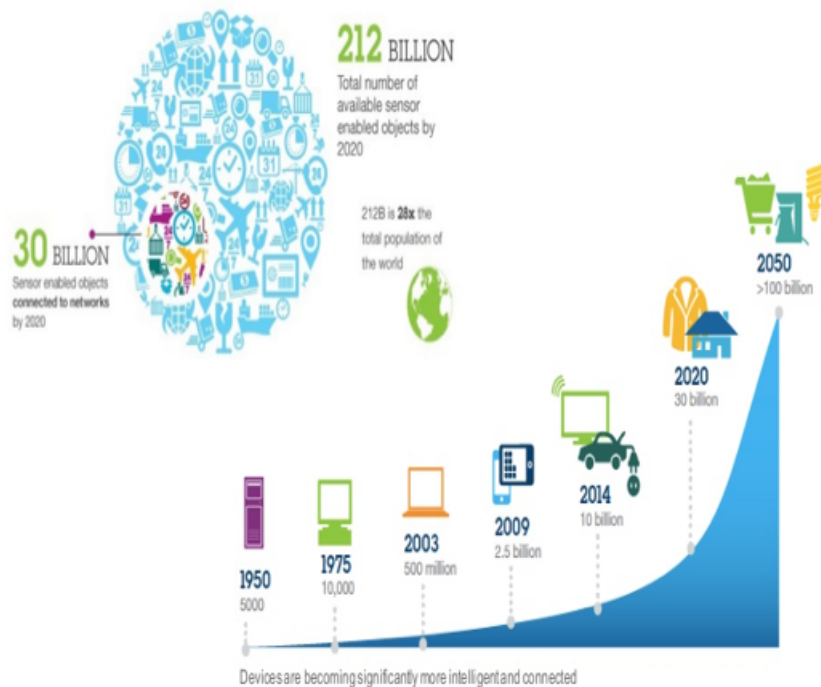
Source(s): MCCM Research, Accenture Research

# Blockchain Technology Is Simply Next Innovation In Computing Power Cycle

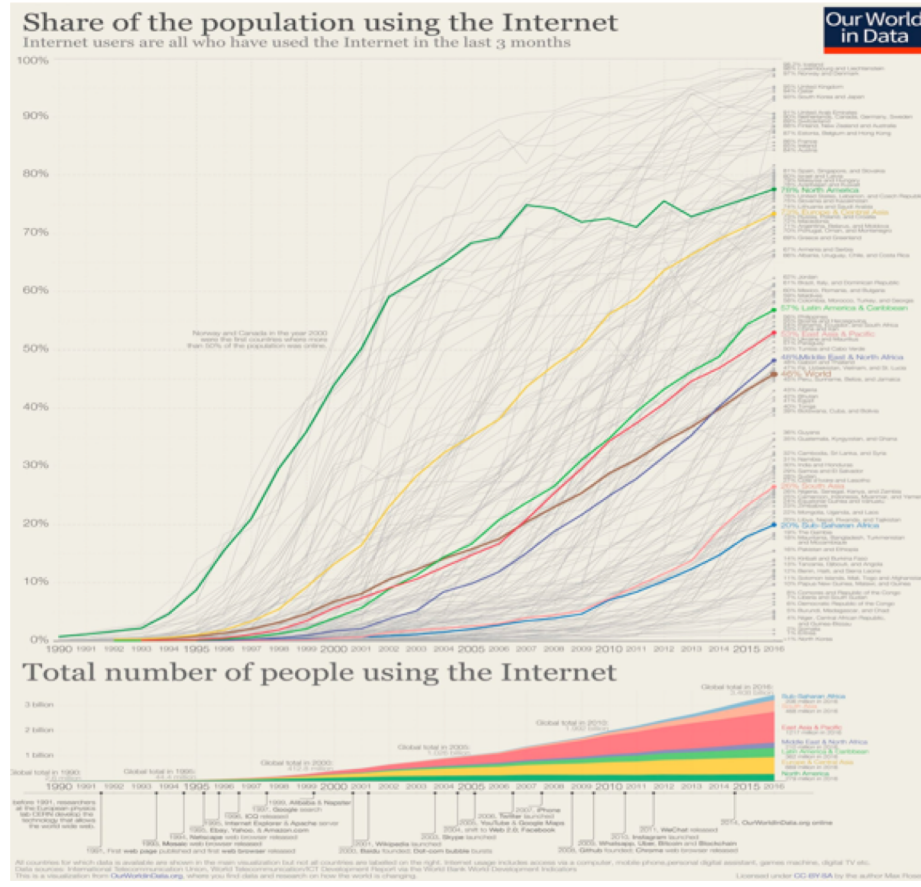
We are at the threshold of a massive explosion in the history of computing



Role of blockchain technology in Internet of Things

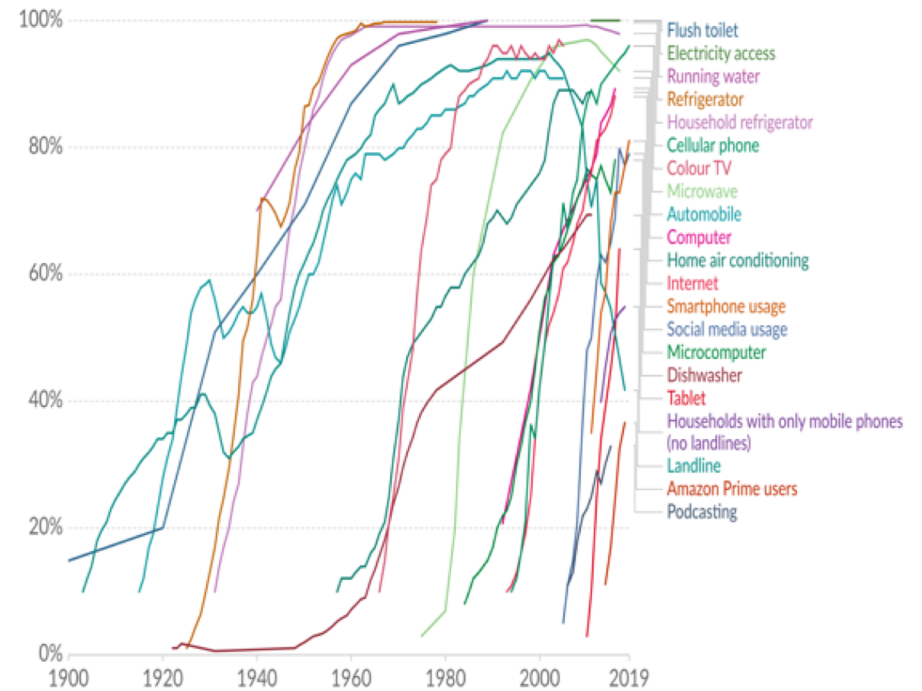


# Adoption Of New Technologies Follows Common Path, Now Happens Faster



## Technology adoption in US households, 1900 to 2019

Technology adoption rates, measured as the percentage of households in the United States using a particular technology.

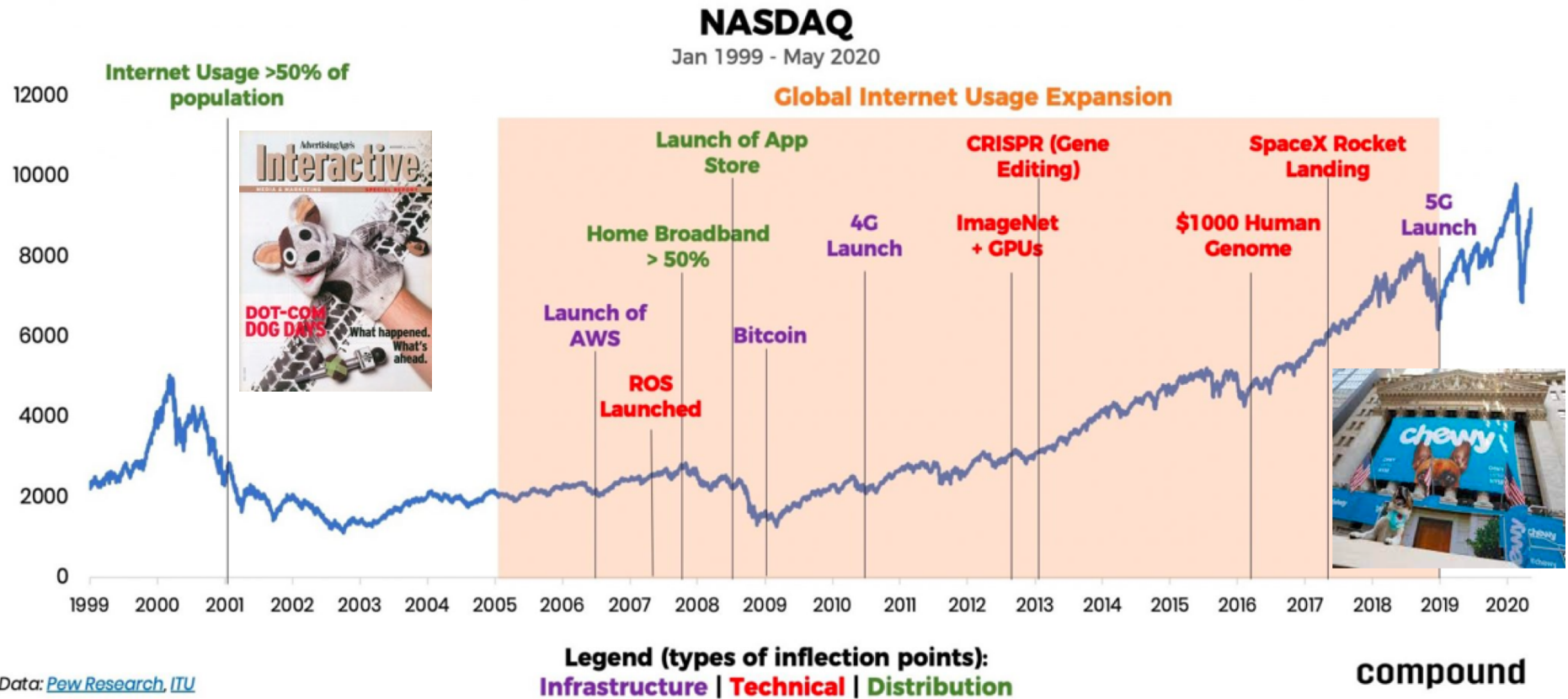


Source: Comin and Hobijn (2004) and others

OurWorldInData.org/technology-adoption/ • CC BY

Note: See the sources tab for definitions of household adoption, or adoption rates, by technology type.

# Maturation Of Tech Trend Creates Multiple Inflection Points For Innovation








Data: [Pew Research](#), [ITU](#)

Source(s): [michaeldempsey.me](http://michaeldempsey.me)

# Most Valuable Cos Are Actually Networks, Innovate Around Inflection Points

## The Most Valuable Companies Capitalize on Multiple Inflection Points

They all created or benefited from a first inflection point and have taken advantage of following inflection points, while investing R&D ahead of possible future inflection points.

Company	First Inflection Point	Expansion Enabled by Select Inflection Points	Possible Future Inflection Points
	Personal Computer	Internet Broadband Mobile	4G AR/VR AVs
	Personal Computer	Internet Broadband Cloud Computing	AI/ML AR/VR Quantum Computing
	Internet	Broadband Cloud Computing Robotics	AVs AI/ML
	Internet	Broadband Mobile Cloud Computing	AI/ML AVs Quantum Computing
	Internet	Broadband Mobile AI/ML	AR/VR Telecom

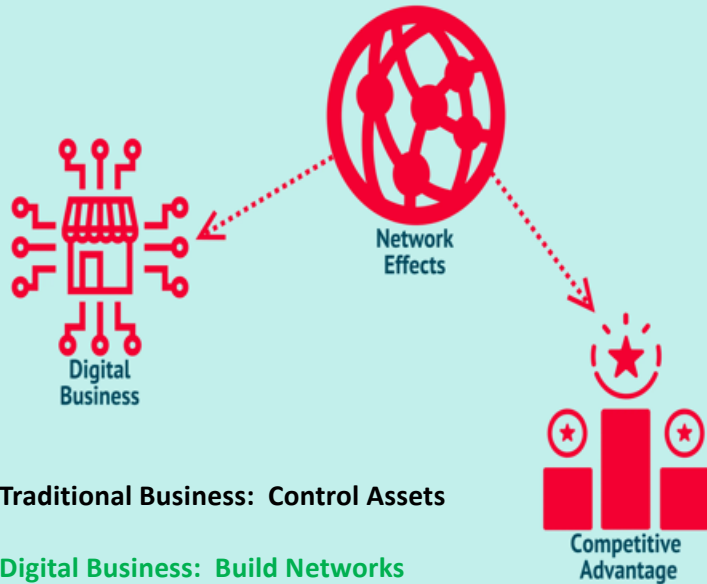
@mhdempsey

Source(s): michael Dempsey

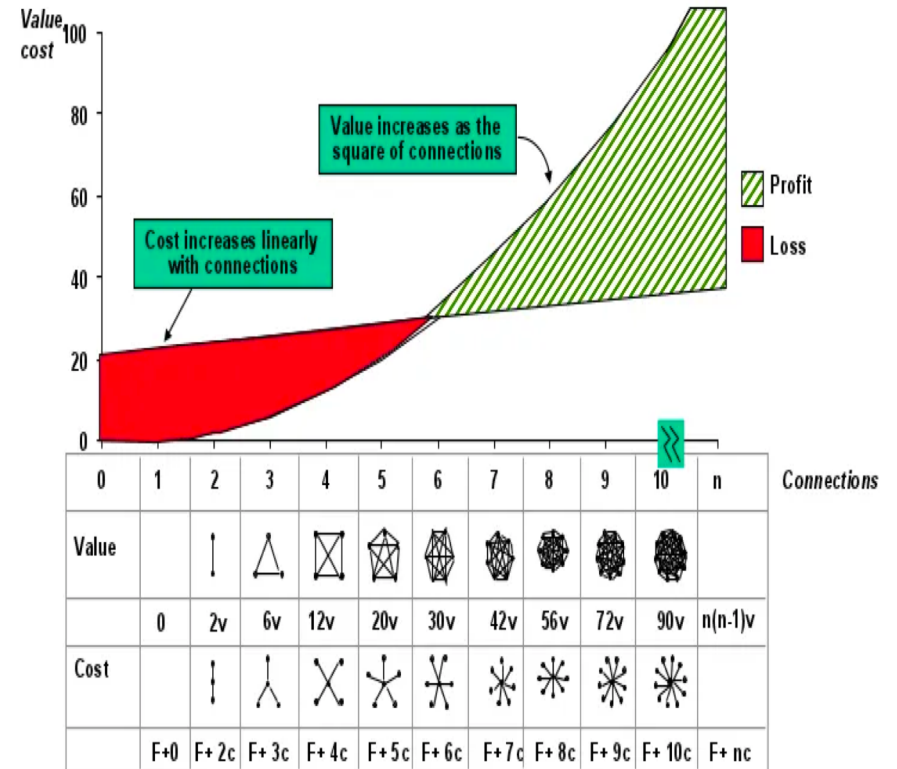
# Network Effects Create Massive Competitive Advantages & Profit Margins

## Network Effects In A Nutshell

A network effect is a phenomenon in which as more people or users join a platform, the more the value of the service offered by the platform improves for those joining afterward. Network effects have become a strategic competitive advantage for digital businesses. Where traditional companies built and controlled assets, digital organizations manage and build networks.



FourWeekMBA



v=option value of a connection; F=fixed cost; c=incremental cost of a connection

Source(s): FourWeekMBA.com



# Math Behind Network Effects Is Elegant & Compelling, A Reflexive Process

### Sarnoff's Law



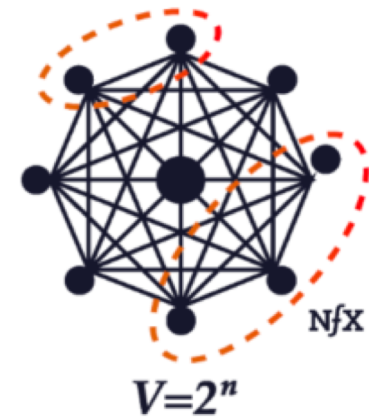
The value of the network (V) increases in direct proportion to the size of the network (n).

### Metcalfe's Law



The value of the network increases to the square of the number of users in the network.

### Reed's Law



Networks may grow proportionally to the network size but there are forming groups that scale faster in value than others (because of influence or interconnectedness).

Source: NFX Bible

# Investing At Inflection Points Means Backing Transformational Technology

## INVESTING IN TRANSFORMATIONAL TECHNOLOGY

Technological innovation is disrupting all sectors, some faster and sooner than others. Below are select examples of areas where we will invest.

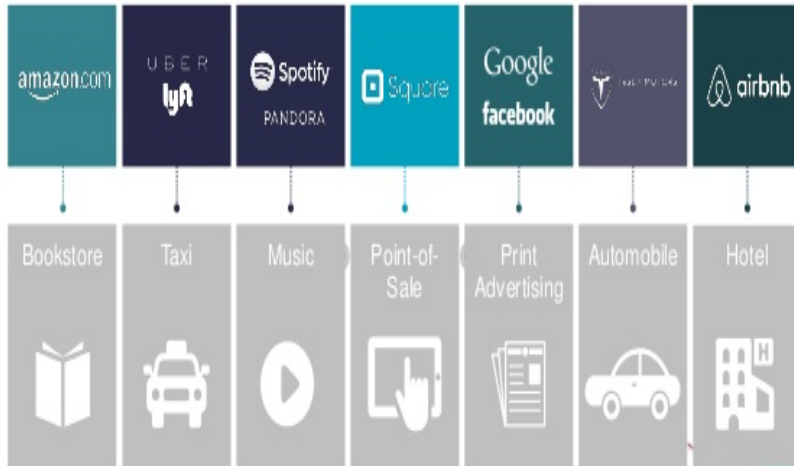


Source(s): MCCM Research

# Welcome To The Digital Age: Digital Disruption Impacting Every Incumbent

## Market Changes...

Digital Business is Creating the Digital Economy



Digitization, with the Internet of Everything  
Accelerate Business Processes, Introduce New Services

An infographic with six hexagonal nodes connected by lines. Each node contains a company logo and a description of its digital disruption:

- 21st Century Learning** (George Brown): Transforming education and health services
- Mobile Experience** (Metrolinx): Change customer experience and rail operations – one network
- Asset Management** (Goldcorp): Connecting people and assets for safety and optimization
- Starbucks Apps**: Customer Loyalty and Transactions
- Connected Lighting** (Oxford Philips): Custom Settings, Building Intelligence

Digital disruption will displace 40% of incumbent companies in the next 5 years.  
- John Chambers, Cisco 2015 Partner Summit

Source(s): Ciscocanada.com

# Digital Age Ushers In Massive Opportunities As Blockchain Becomes Core

## GROWTH OF DIGITAL INNOVATION

Blockchain technology as a digital innovation is poised to dramatically alter how parties transact within financial and other markets during the next few years.

### Blockchain Technology Enables Tokenizing Assets Allocation

#### Characteristics of Blockchain Technology



**Distributed Ledger** – distributed and decentralized consensus mechanism requires participants to agree on validity of each transaction



**Immutable Record** – once entries on the blockchain ledger are verified they cannot be changed



**Encrypted and Programmable** – sensitive information can be safely exchanged and levels of anonymity can be programmed into the digital units



**Trustless** – trusted third parties are not needed to successfully complete transaction

#### Features of Tokenizing Assets



**Improved Liquidity** – converting asset ownership to a digital assets allows for once illiquid assets to be tradable in a much larger open market



**Lower Costs** – the need for intermediaries and the associated fees are not present for digital assets transactions



**More Efficient** – ability to streamline processes through automating service functions allows for faster deal execution



**Greater Security** – improved transparency via public ledgers and the elimination of middlemen reduces the manipulation, fraud, and human error

# Distributed Ledger Technology Is Natural Evolution Of Accounting Systems

WHAT IS THE BLOCKCHAIN?

Definition N3

## A DISTRIBUTED LEDGER

Ledgers, the foundation of accounting, are as ancient as writing and money.



Source(s): Bellaj Badr, mchain.uk

# Decentralization Superiority: Fault Tolerance, Attack & Collusion Resistance

## Common View: Too Simplistic

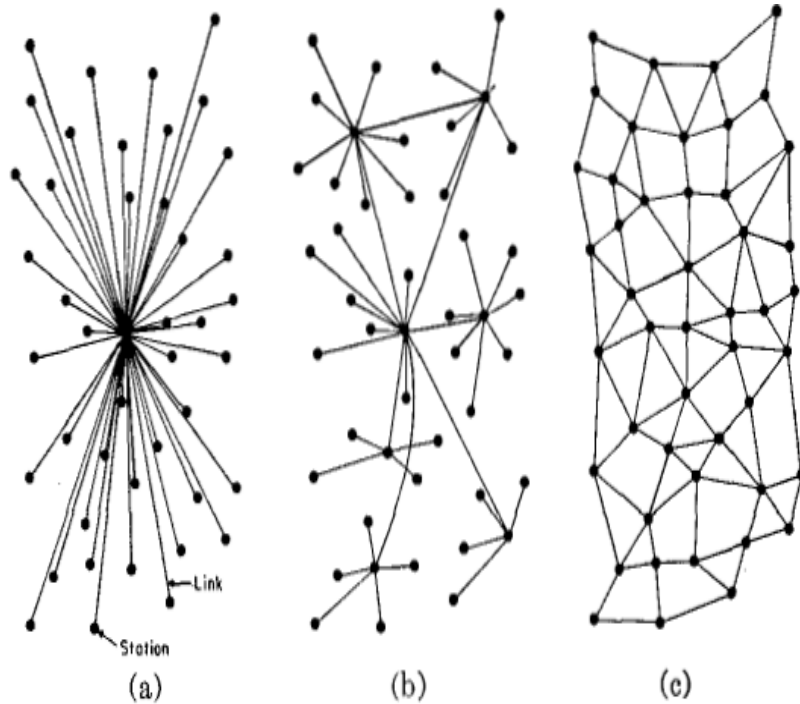


Fig. 1—(a) Centralized. (b) Decentralized. (c) Distributed networks.

## Complete View: Three Dimensional

		Logically centralized		Logically decentralized (can you split entity?)			
		Politically centralized	Politically decentralized	Politically centralized	Politically decentralized		
Architecturally centralized	One CEO Home Office	Traditional corporations	Direct democracy	?	?	Architecturally centralized	
	Civil law						
Architecturally decentralized	?	Blockchains, Common law		Traditional CDNs, Esperanto (initially)	BitTorrent, English language	Architecturally decentralized	
		One Standard Many Sites			Two separate Conversations		


Source(s): @VitalikButerin, Medium.com

# Blockchain Technology Enables Single Source Of Truth; The #TrustNet

WHAT IS THE BLOCKCHAIN?

Definition N1

**A SINGLE  
SOURCE OF  
TRUTH**



WHAT IS THE BLOCKCHAIN?

INSIDE: A 12-PAGE SPECIAL REPORT ON COLOMBIA

**The Economist**

007 and the spectre of Britain's past  
Turkey votes to the sound of bombs  
Those ever-creative accountants  
America takes the fight to IS  
Coywolves: the new superpredator

**The trust machine**  
How the technology behind bitcoin  
could change the world

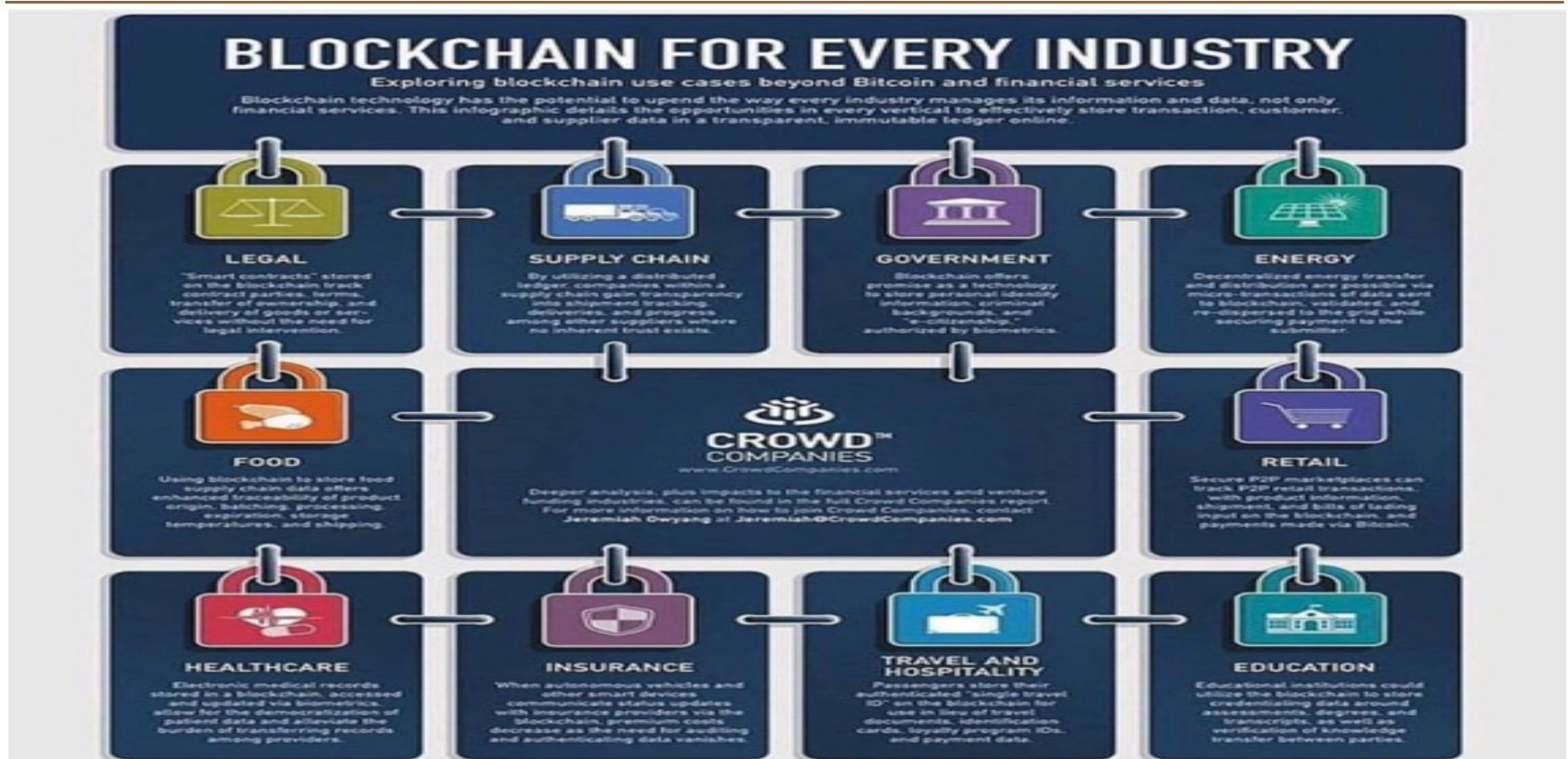


Definition N2

**THE TRUST  
MACHINE**

Source(s): Bellaj Badr, mchain.uk

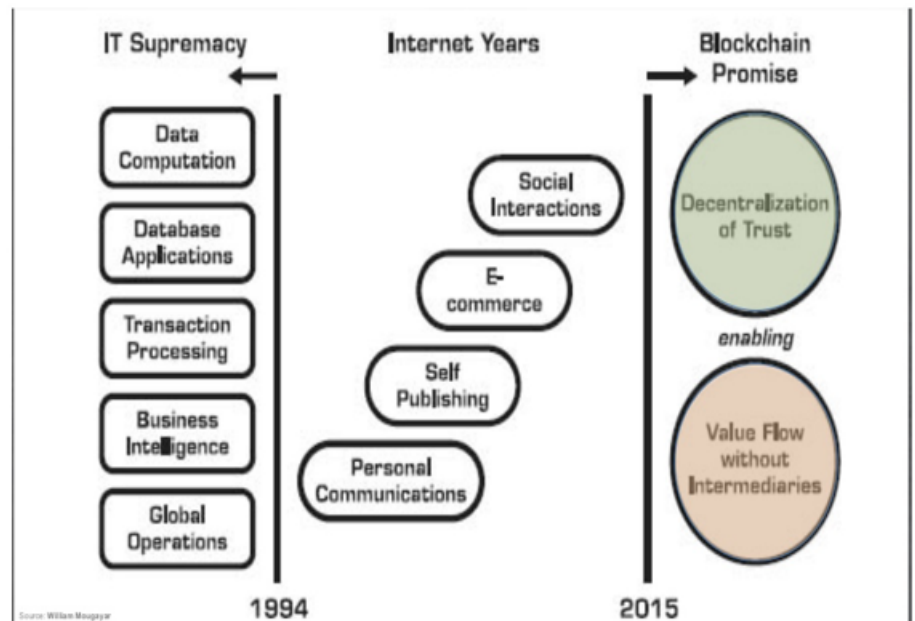
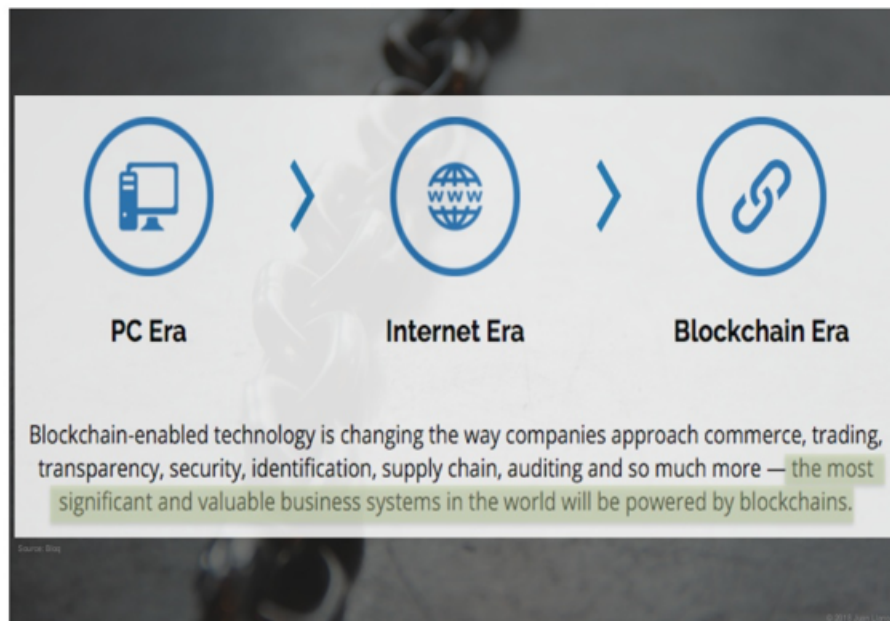
# Blockchain Technology Will Impact Nearly Every Existing Business Model



Source(s): @CryptoBoomNews



# Blockchain Era Will Usher In A Period Of Unprecedented Wealth Creation

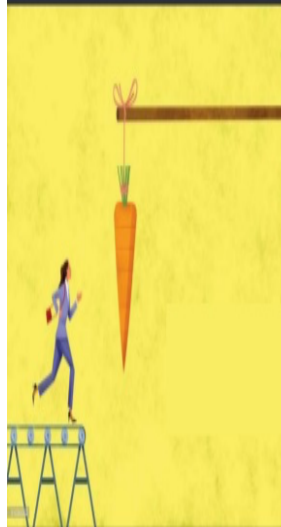


# Blockchain Technology Will Completely Revolutionize Financial Services

## WHAT IS REVOLUTIONARY ABOUT BLOCKCHAIN?

To allow mutually **un**trusting parties to perform economic transactions with each other

## THROUGH CRYPTO-ECONOMICS



A study of how to use digital incentives to drive distribution of resources and behaviors on a decentralized network that leads to some globally desired outcome (e.g. improved security).

This requires a wide spectrum of expertise from game theory, behavioral economics to math, logic, distributed computing and bc.

WHAT INTERNET DID TO MEDIA, BLOCKCHAIN TECHNOLOGY WILL DO TO FINANCIAL SERVICES...

BUT WE ARE EARLY IN THE TIMELINE.

Source(s): Arabnet.me

# Blockchain Technology Will Become Beating Heart Of New Financial System



WORLD ECONOMIC FORUM  
COMMITTED TO IMPROVING THE STATE OF THE WORLD

White Paper

## Realizing the Potential of Blockchain

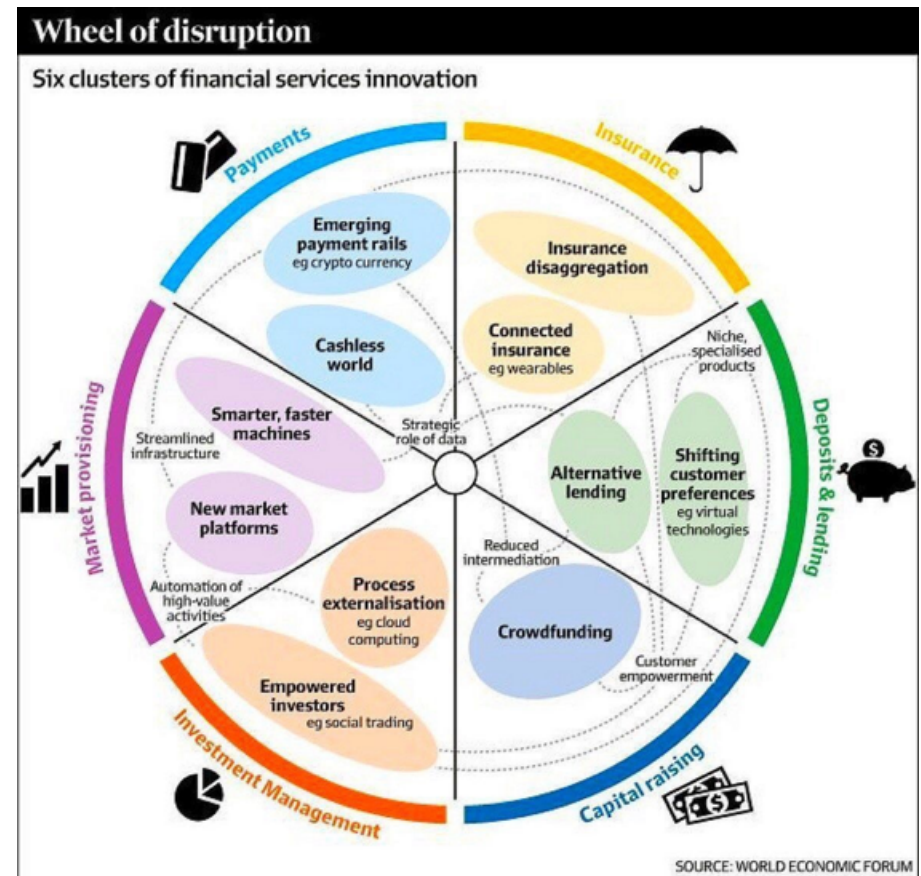
A Multistakeholder Approach to the Stewardship of Blockchain and Cryptocurrencies

June 2017

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Value drivers

- 1  **Operational simplification**  
DLT reduces / eliminates manual efforts required to perform reconciliation and resolve disputes
- 2  **Regulatory efficiency improvement**  
DLT enables real-time monitoring of financial activity between regulators and regulated entities
- 3  **Counterparty risk reduction**  
DLT challenges the need to trust counterparties to fulfil obligations as agreements are codified and executed in a shared, immutable environment
- 4  **Clearing and settlement time reduction**  
DLT disintermediates third parties that support transaction verification / validation and accelerates settlement
- 5  **Liquidity and capital improvement**  
DLT reduces locked-in capital and provides transparency into sourcing liquidity for assets
- 6  **Fraud minimization**  
DLT enables asset provenance and full transaction history to be established within a single source of truth



Source(s): World Economic Forum ("WEF")

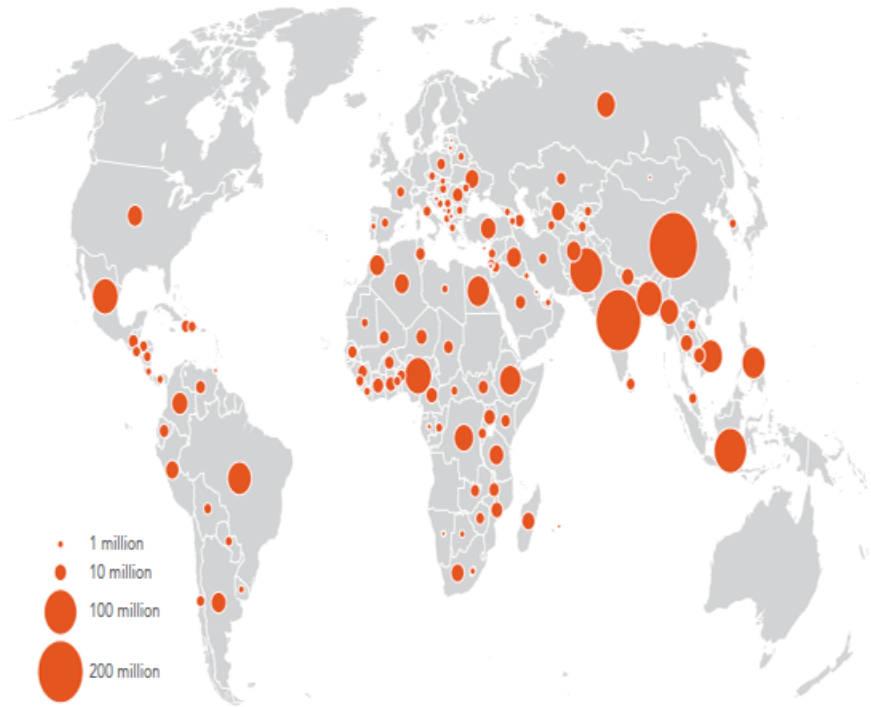
# Do We Really Need Physical Banks In Digital Age? Do We Need Any Banks?



Source(s): Chain.com, jiko.io

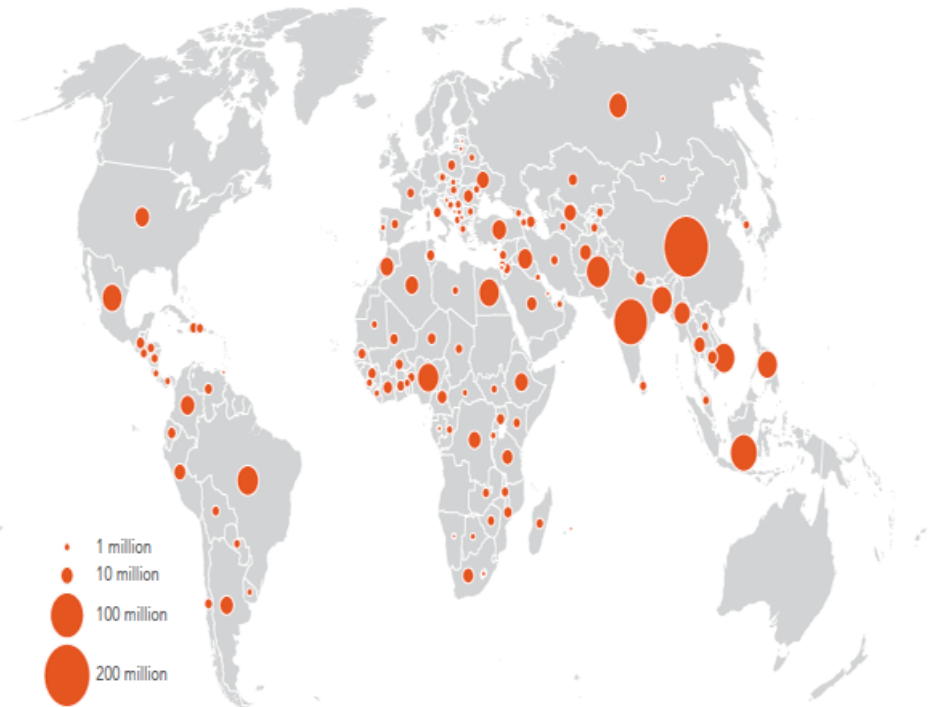
# Nearly 40% Of Adults Are Unbanked, But 2/3 Of Those Have A Mobile Phone

**Globally, 1.7 billion adults lack an account**  
Adults without an account, 2017



Source: Global Findex database.  
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less.

**Two-thirds of unbanked adults have a mobile phone**  
Adults without an account owning a mobile phone, 2017



Sources: Global Findex database; Gallup World Poll 2017.  
Note: Data are not displayed for economies where the share of adults without an account is 5 percent or less.

Source(s): WorldBank.org, Global Findex 2017

# Providing Financial Services To Unbanked Will Be Truly Transformational













Source(s): TechMoran.com



*In essence, LALA Transfer is a one-stop money transfer platform that combines traditional money transfer platforms (western union, transfer wise, express money etc.), Blockchain based remittance solutions (Stellar now and more to come later), aggregators of remittances, MTO's (Money transfer operators) and new age money sending methods (USSD SMS, mobile vouchers etc.) all in one place to give best rates at different locations globally.*

# Blockchain Technology Enables Transition To The Digital Age of Securities

Technological innovation fueled efficiencies in processing transactions as transitioned from Analog Age of Securities to Electronic Age of Securities. Blockchain enables even greater efficiencies as transition to Digital Age of Securities.

	Analog Age of Securities	Electronic Age of Securities	Digital Age of Securities	Important Characteristics of Digital Securities	
<b>Cost of Transaction</b>	Very expensive	Expensive	Lowest fees	 Faster trade execution	 Low cost to setup
<b>Potential Investor Base</b>	Locally concentrated around original equity owner	Highly concentrated in Western world	Global base, regardless of location or government	 Lack of manipulation	 SEC compliant
<b>Liquidity</b>	Very little liquidity	Highly concentrated in Western world	True, global marketplace of liquidity	 Global market place	 Low transaction fees
<b>Type of Ownership Available</b>	Physical ownership only	Hybrid of electronic and physical ownership	Fractional ownership of digital shares	 24 hour market place	 Various asset classes
<b>Free Market Exposure</b>	None	Free market in Western world	True, global free market	 Liquidity	 Scalability
<b>Deal Execution Mechanism</b>	Manual	Semi-automated	Fully-automated		
<b>Speed of Deal Execution</b>	Manual transaction settlement	Delayed transaction settlement	Instantaneous transaction settlement		

Source(s): CryptoState.com

# Tokenization Is Logical Progression Of Digital Disruption Into Real Assets

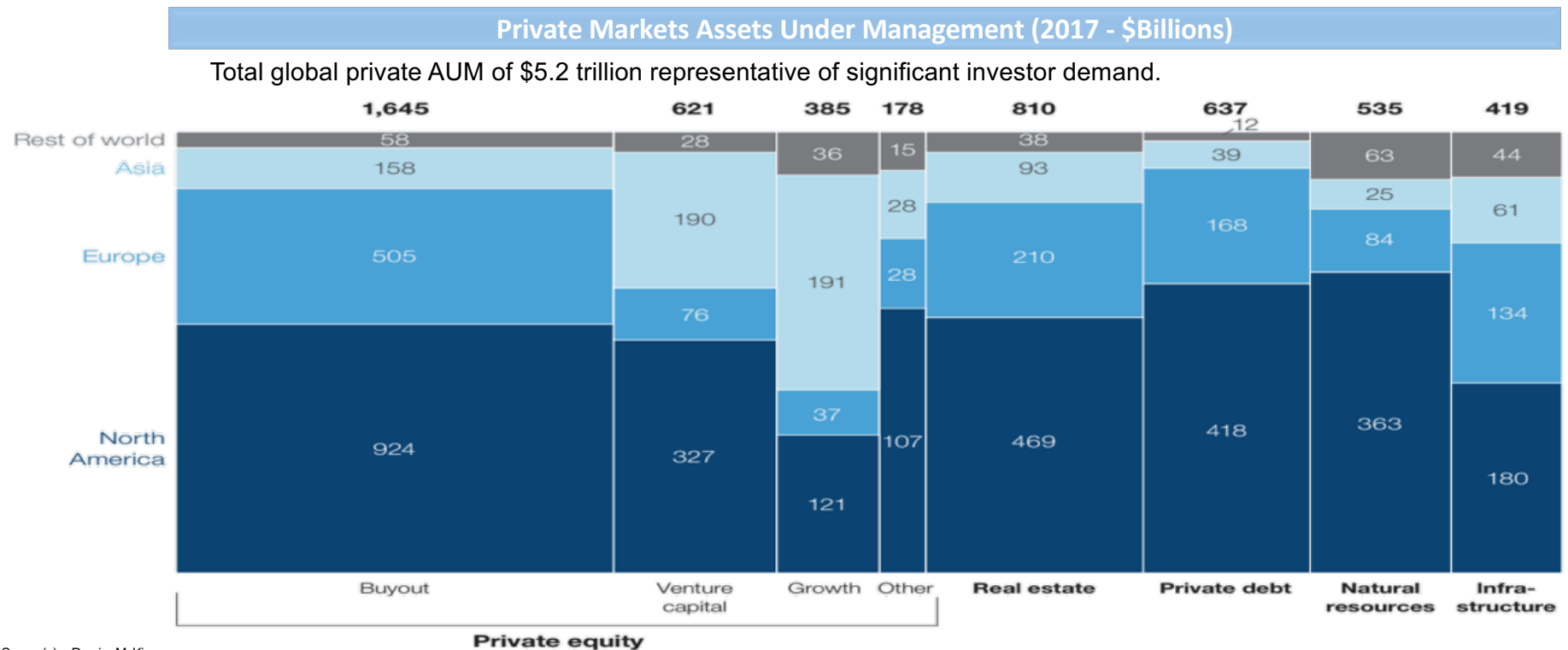


Source(s): Pavel Kravchenko, distributedlab.com, LAToken.com



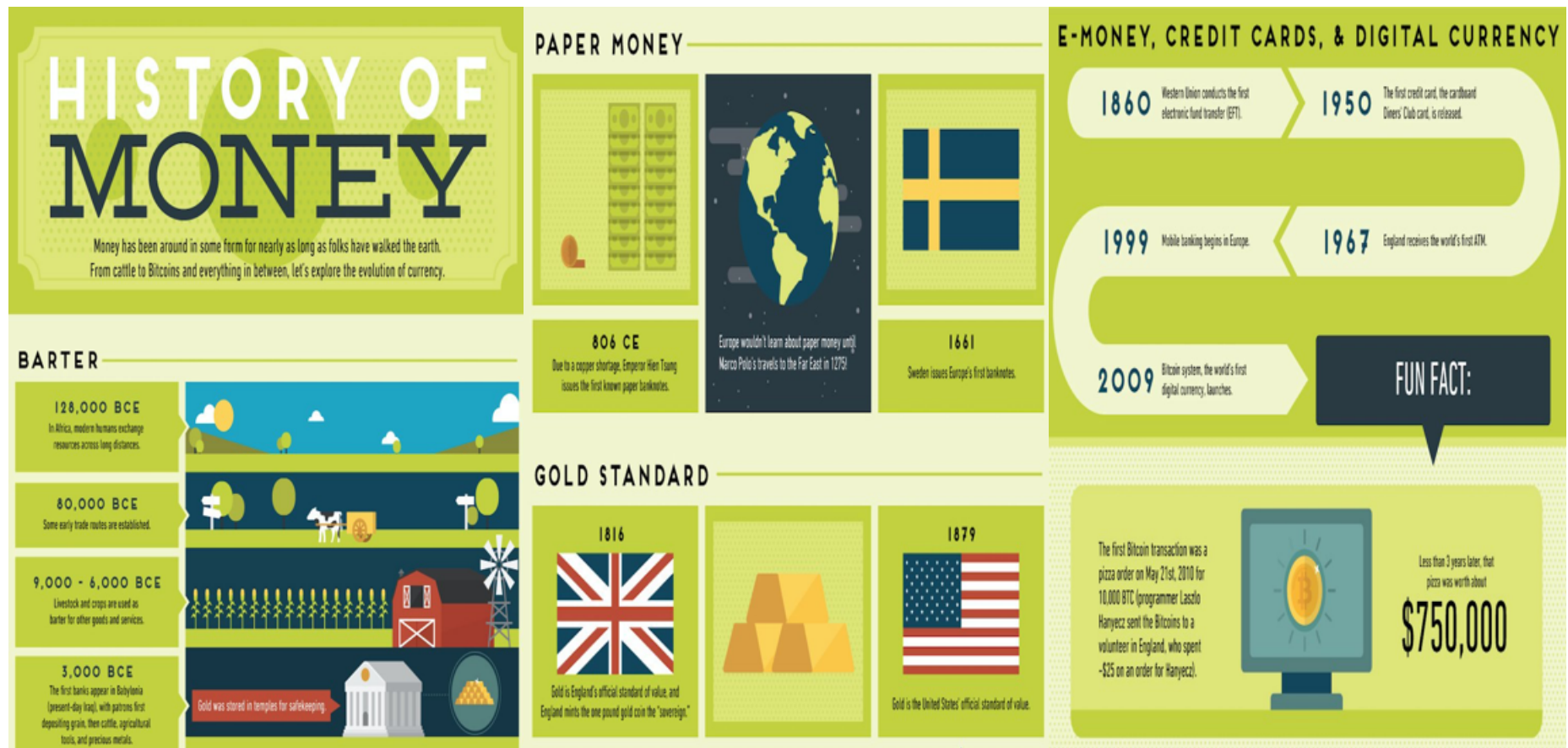
## Total Market Opportunity For Tokenization Of Real Assets Is Enormous

Of the \$700T of total investable assets globally, approximately \$170T are liquid assets, including stocks, bonds, and fiat cash, while approximately \$530T are illiquid assets, including buyouts, venture capital, real estate and commodities. Tremendous opportunity exists to provide liquidity to investors in these private assets.






Source(s): Preqin, McKinsey

# History Of Commodity Money Pretty Solid (pun intended) Fiat Currency Not So Much



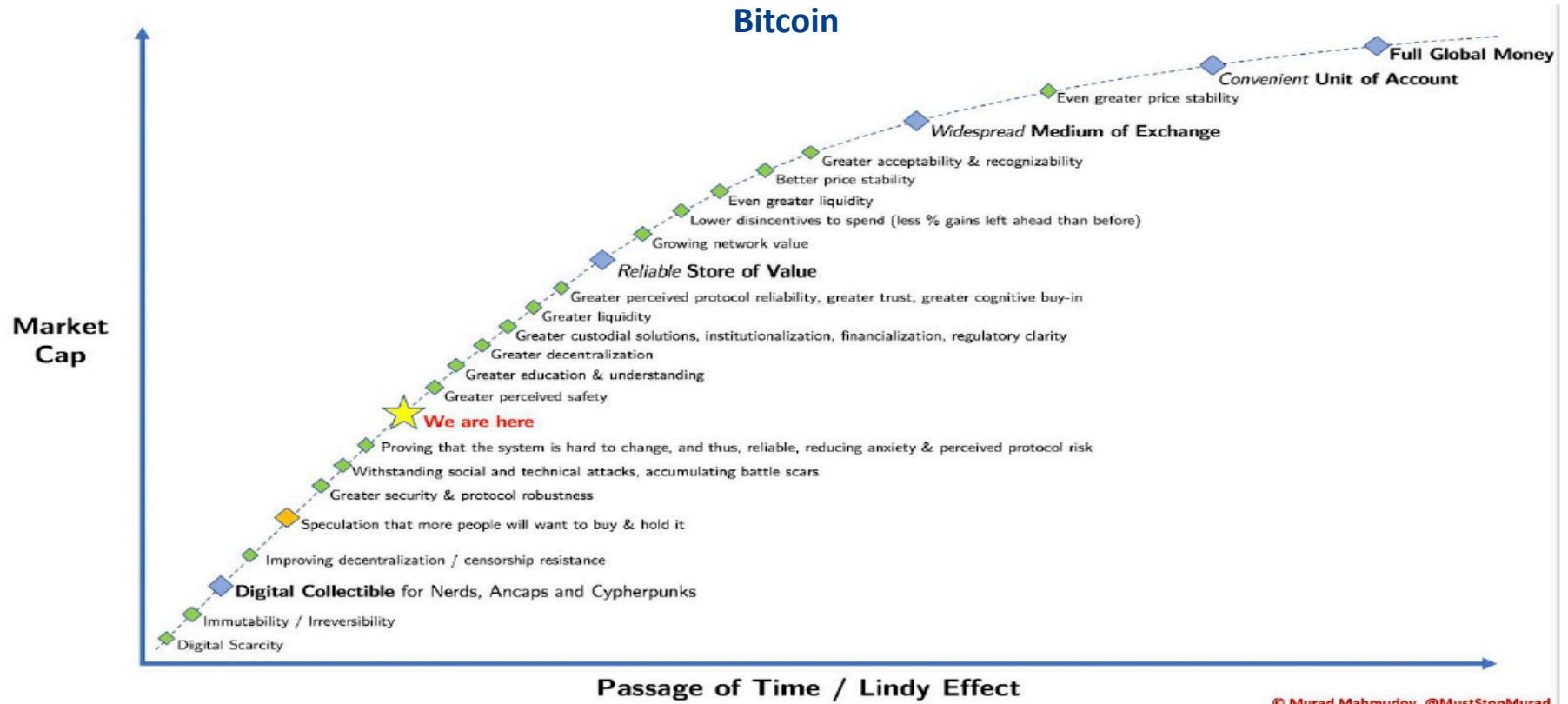
Source(s): @SpirosMargaris

# What Makes A Currency A Currency? Custom & Belief, Same For Fiat/Crypto

What gives a currency value?			
Sources of Value	Fiat currency	Bitcoin	Ether
<b>1. Scarcity (barriers to creation)</b>	Authority typically rests with a central bank. This has so far worked well for the United States. This did not work so well for Germany circa 1922.	Creation of new Bitcoin is fixed and decreasing over time. The rate is known to all parties and practically unchangeable...which is good!	Creation of new Ether is not fixed. The rate is unknown to all parties and subject to change by the controllers of the Ethereum network...not good.
<b>2. Intrinsic Value</b>	None...just a piece of paper	None...just an address in a blockchain stored on interconnected nodes (i.e. computers)	Positive...Ether is used as "fuel" to run smart contracts on the Ethereum network. The more valuable the network the more value Ether will become.
<b>3. Convenience</b>	Generally convenient unless you want to send money abroad or buy something illegal	Less convenient to buy real stuff but getting easier everyday. Cheap to transact and send abroad.	Less convenient to buy real stuff but getting easier everyday. Very cheap to transact and send abroad.
<b>a. Transaction Cost</b>	High costs in both time and money. Settlement times vary from 1-8 business days. Credit card transactions cost 1-3%.	Was cheaper than fiat money, but has increased substantially in 2017 to more than \$3 on average.	Much cheaper than Bitcoin. Has ranged from a few cents to less than one dollar.
<b>b. Complexity</b>	Easy to use for those with access to a bank...which is far from everybody.	Takes some time to figure out. Google words like "crypto wallet" and "blockchain".	Takes some time to figure out. Google words like "crypto wallet" and "blockchain".
<b>c. Connection to Real Economy</b>	Most every business accepts fiat money.	Many thousands of businesses accept Bitcoin. Bitcards and gift cards make it possible to use Bitcoin to buy most anything.	Fewer businesses accept Ether, but Ether can be exchanged for Bitcoin and fiat currencies for next to nothing instantly.
<b>4. Anonymity</b>	Not anonymous. Cash transactions allow for anonymity, but are becoming harder to do in large amounts.	Transactions are largely anonymous. People seem to like anonymity, but anonymity also attracts illegal uses.	Transactions are largely anonymous. People seem to like anonymity, but anonymity also attracts illegal uses.
<b>5. Governance</b>	Authority typically rests with a central bank. Degree of autonomy from government varies by country, but has come under pressure in recent years.	Decentralized: Hard to make changes to underlying program and network. This can be both good and bad.	Authority is more centralized making it easier to make changes. This can be both good and bad.
<b>6. Volatility (Risk)</b>	Historically low volatility. Trouble is that government debt levels are very high, so future is less certain.	Very volatile. Roughly five times higher than Twitter stock.	Extremely volatile. Consistently above 100% since creation in 2015. Lack of history makes Ether even riskier.
<b>7. Return / Risk (Sharpe)</b>	Return on fiat currency is generally negative due to inflation. This makes cash a poor investment, but a good short term store of value.	Sharpe ratio has averaged about 2 since July 2014. By comparison, the S&P 500 has averaged a little less than 1. Higher is better.	Sharpe ratio has averaged about 5 since July 2014. By comparison, the S&P 500 has averaged a little less than 1. Higher is better.
<b>8. Correlation with other assets</b>	Cash flows from stocks and bonds denominated in fiat currency. If the fiat falls in value so does the stock/bond.	None. Historical correlation with stocks and bonds is insignificant and/or unstable.	None. Historical correlation with stocks and bonds is insignificant and/or unstable.
<b>9. Skewness</b>	Negative skew. Very few fiat currencies exhibit positive skew. One exception might be Swiss Franks which are viewed as a safe haven currency.	So far...positive Skew over long periods (ex. Quarterly, yearly). Negative skew in daily returns.	So far...positive Skew over long periods (ex. Quarterly, yearly). Negative skew in daily returns.

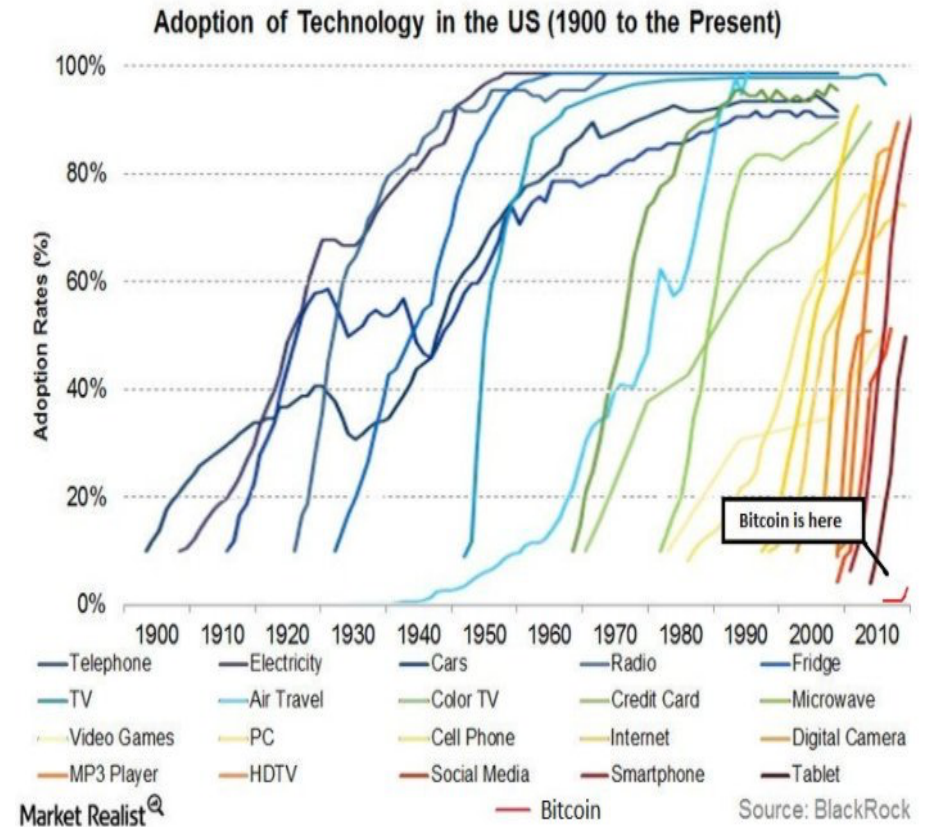
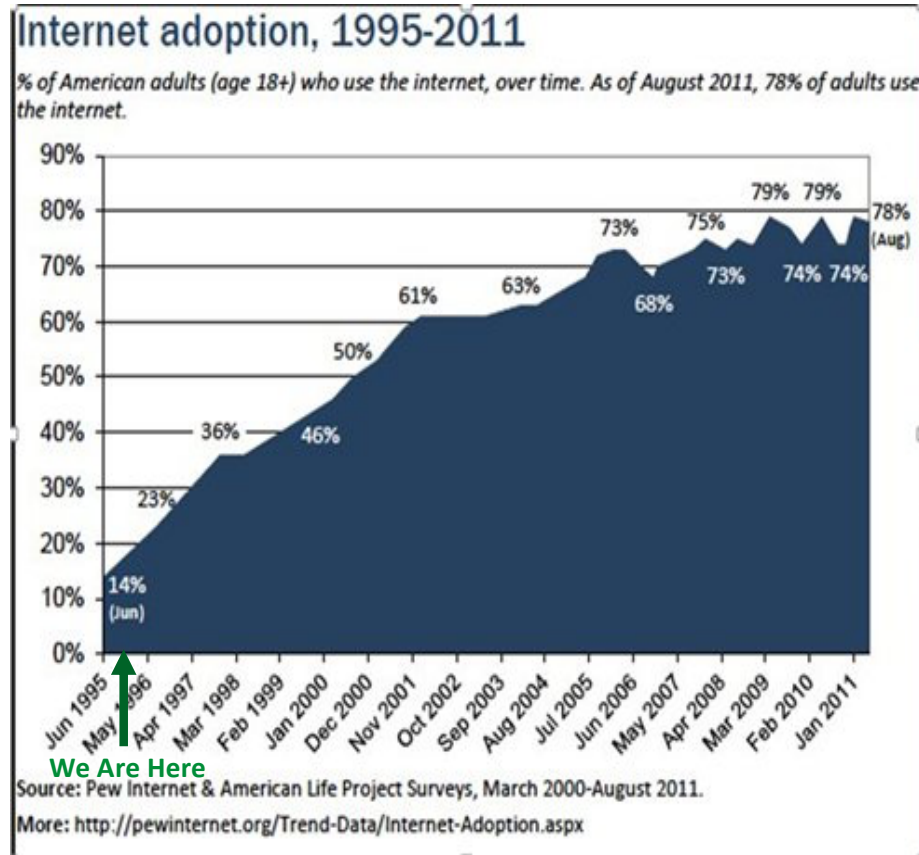
Source(s): Intuitecon.com

# Lindy Effect: Passage Of Time Increases Likelihood Of Longer Life Span



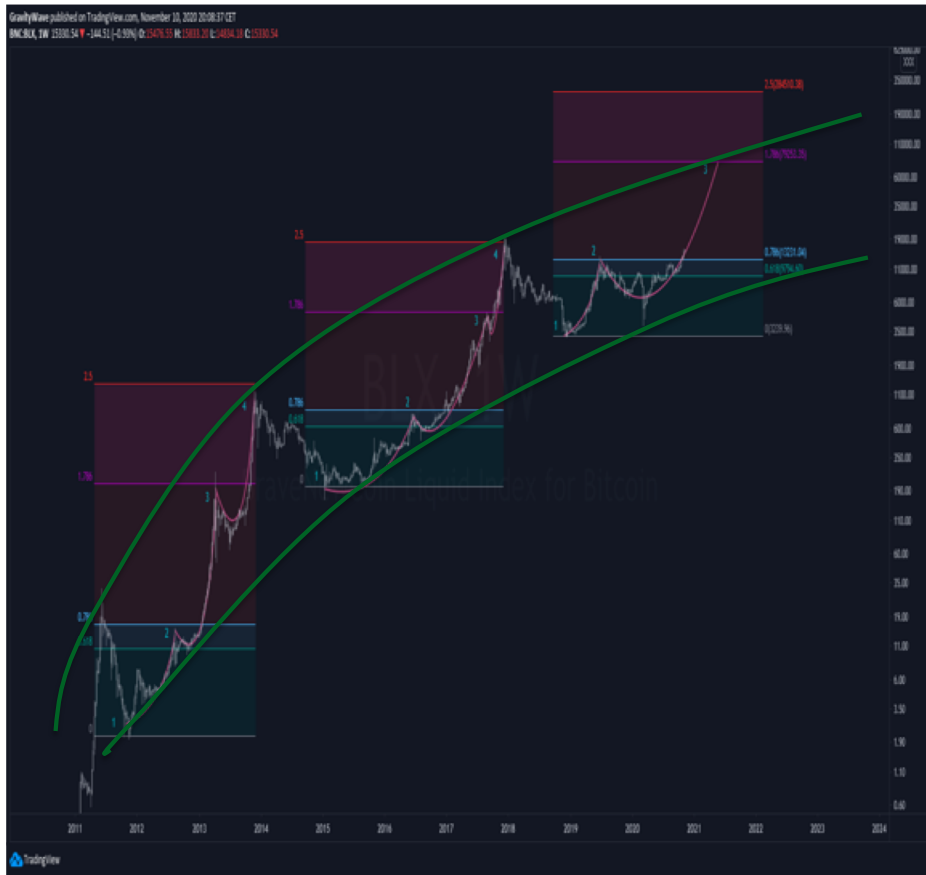
Source(s): @MustStopMurad

# Crypto & Bitcoin Following Internet Technology Adoption Path, Now 1996..!

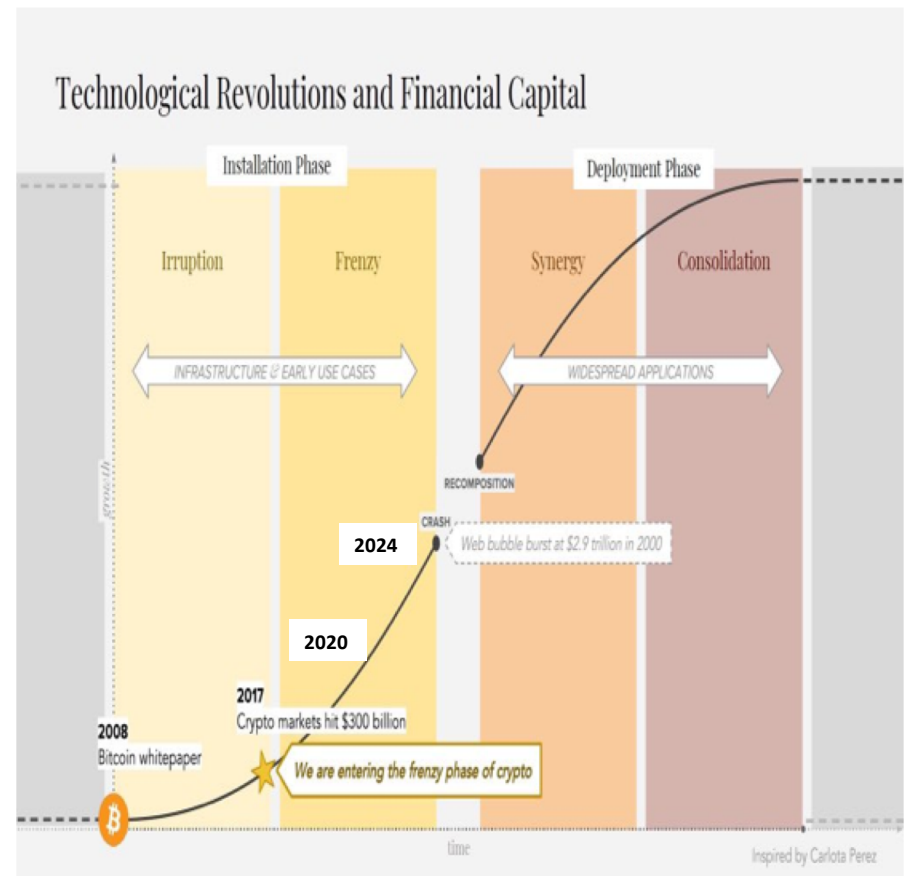


Source(s): @WallSt\_Dropout, @sharkybit

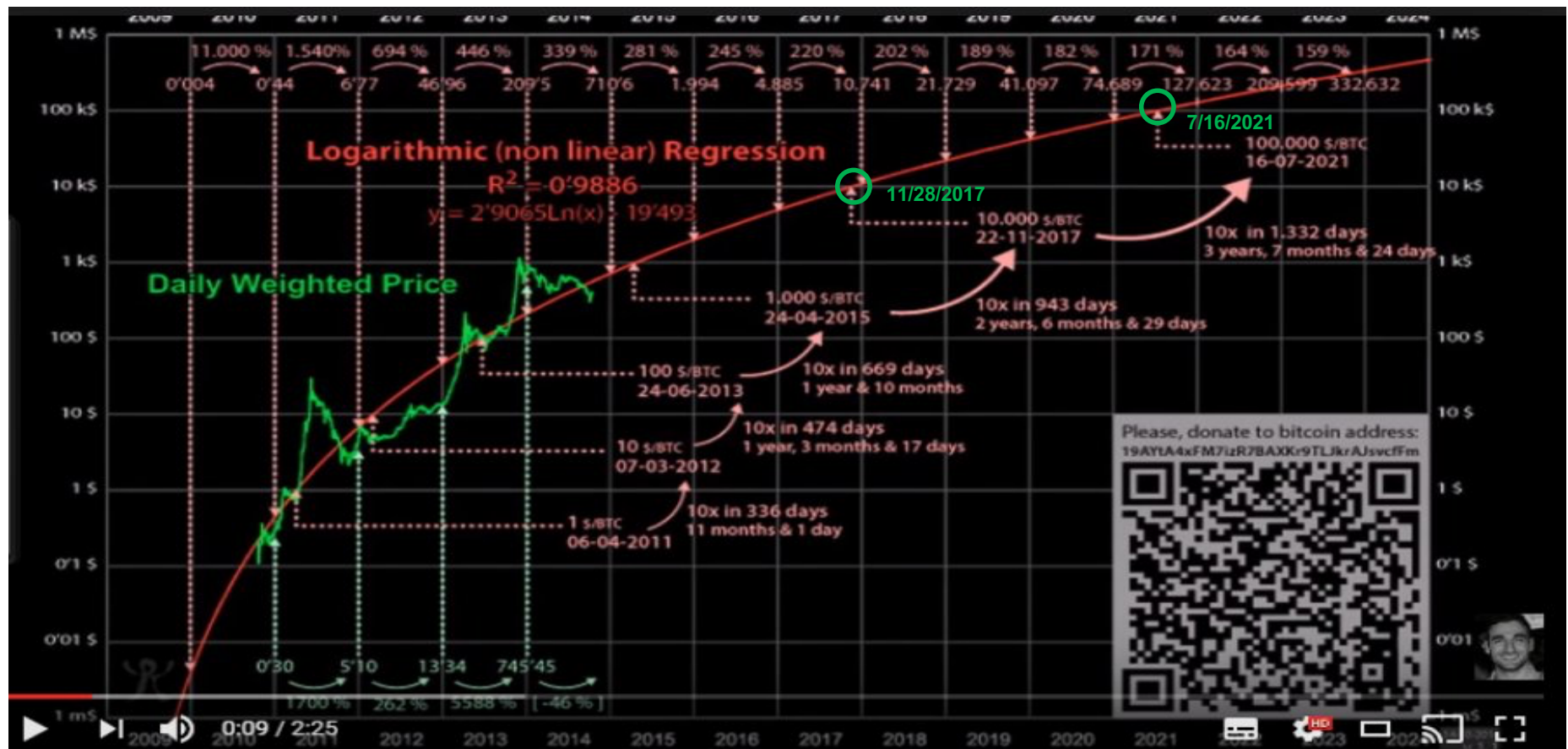
# Network Value Increases Along Parabolic Curve Following S-Curve Adoption



Source(s): @gravitywave2, it-people.com

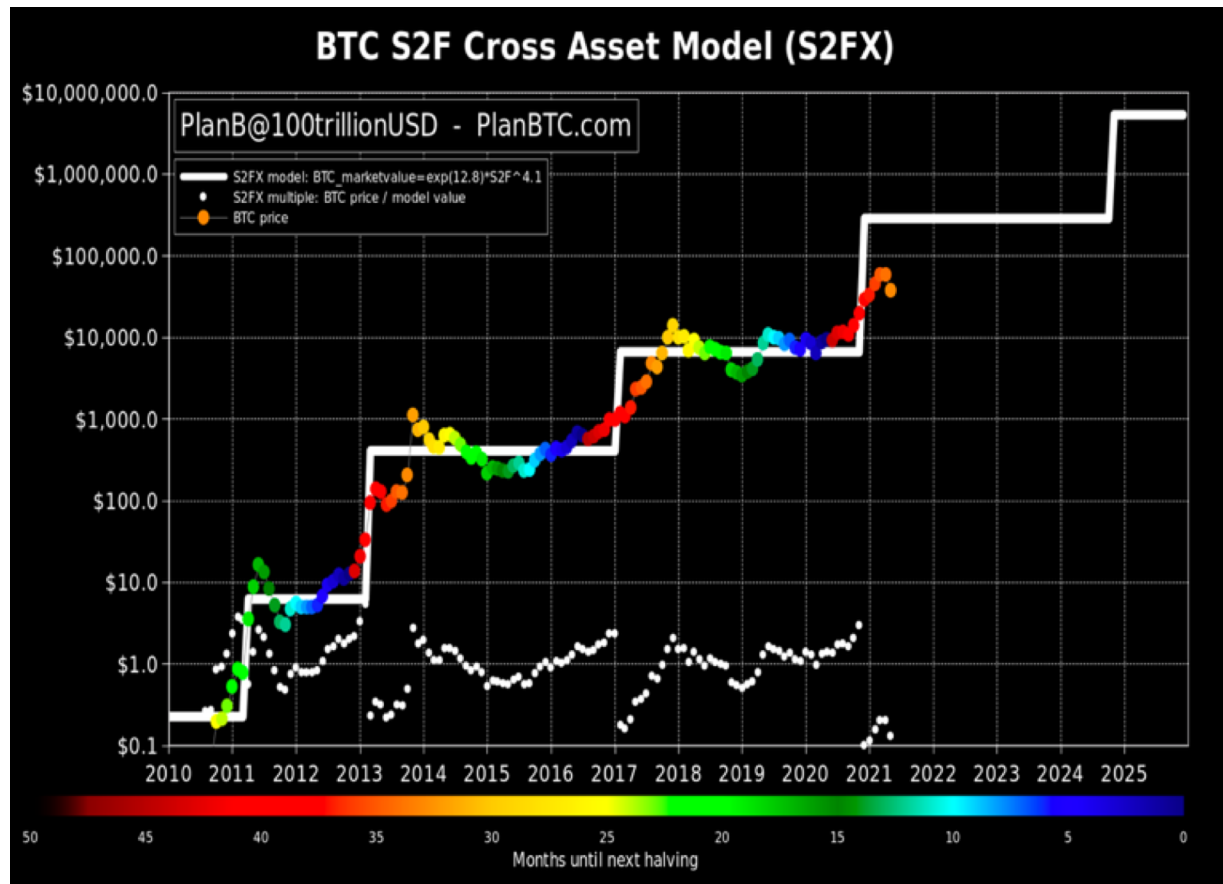


# Logarithmic Model Most Accurate Value Predictor, Still Looks Like On Track



Source(s): @pcreid, Pantera Capital

# Stock-To-Flow Model Shows How Store Of Value Function Rises w/ Scarcity



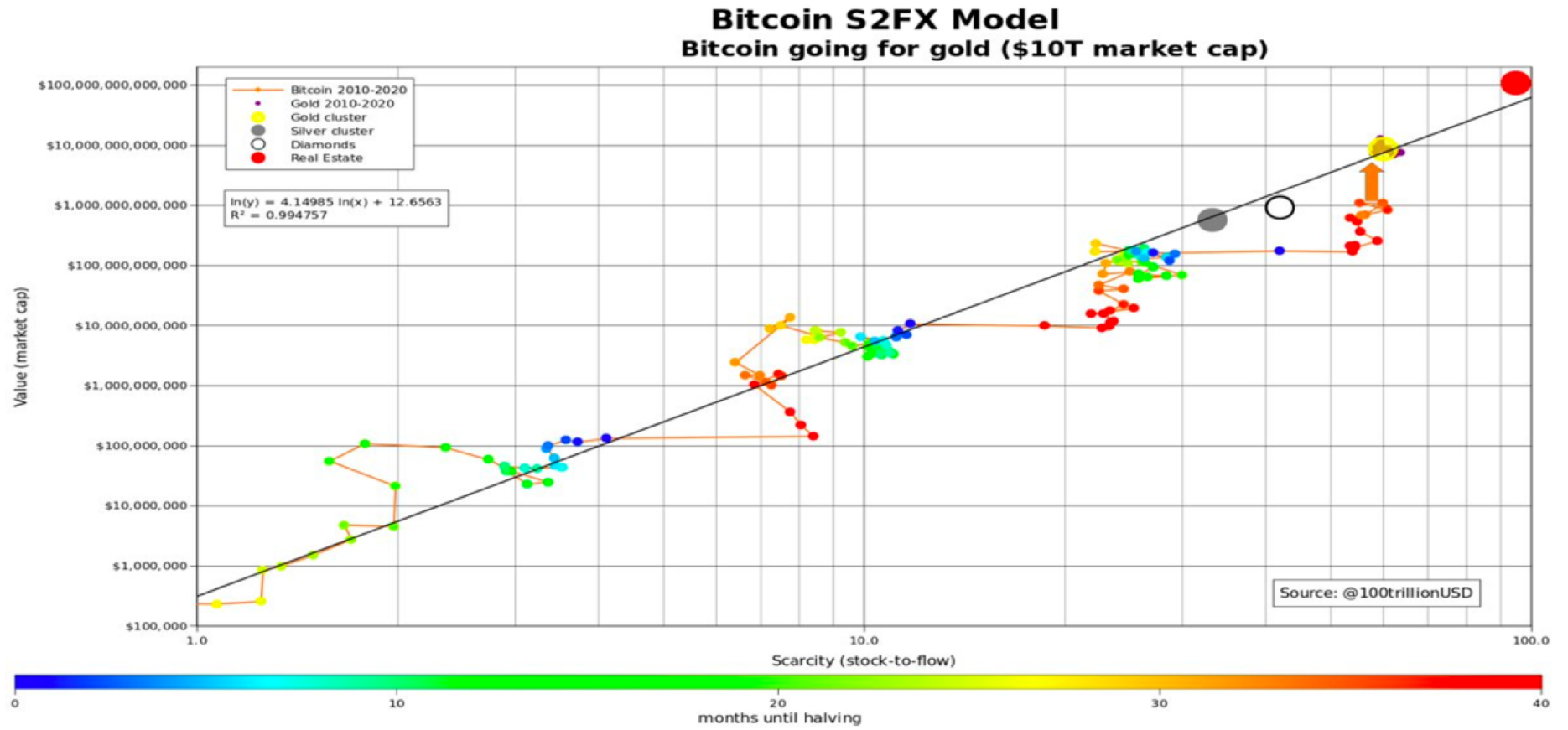
Source(s): @100trillionUSD

## Bitcoin Stock To Flow Model Phases

- Phase 1 – Proof of Concept  
Pizza, GPU Miner, Silk Road, Mt. Gox
- Phase 2 - Payments  
>\$1, Wikileaks, Satoshi Dice, Coinbase, Halving 1
- Phase 3 – E-Gold  
>\$100, Cyprus, Bitstamp, Ulbricht arrest, Mt. Gox Default, XT fork, Halving 2
- Phase 4 – Financial Asset  
>\$1000, Japan & Australia legalize BTC, Altcoins/ICOs, BCH/SV forks, Segwit/Lightning, Futures, Halving 3
- Phase 5  
> \$10,000...



# Bitcoin Develops Into #DigitalGold, Market Cap Likely Catches Other SOV

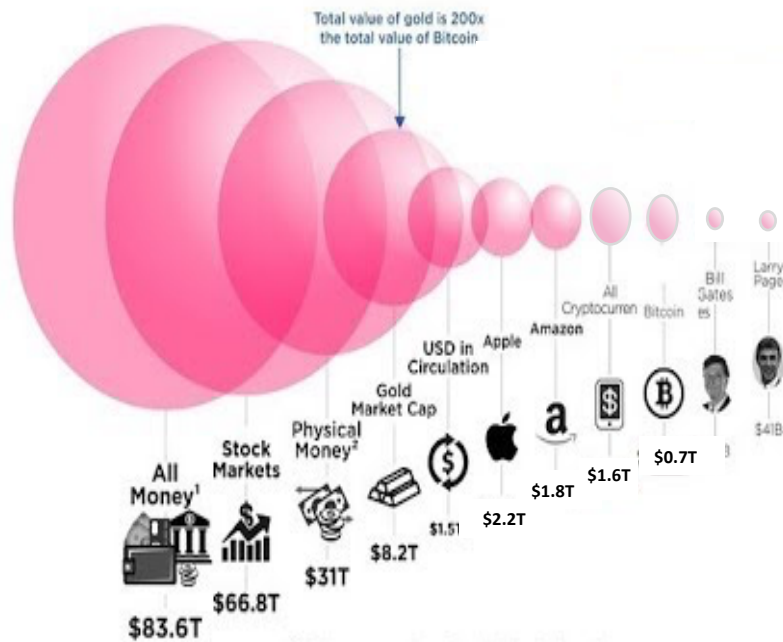


Source(s): @100trillionUSD

# Early Innings In Adoption Of Crypto Assets, Great Wall Of Money Coming...

## Crypto Assets Opportunities & Challenges For Institutional Investors

### Putting the World's Money into Perspective



Total Market Capitalization on 6/15/2021

Source(s): IlluminateFinancial.com

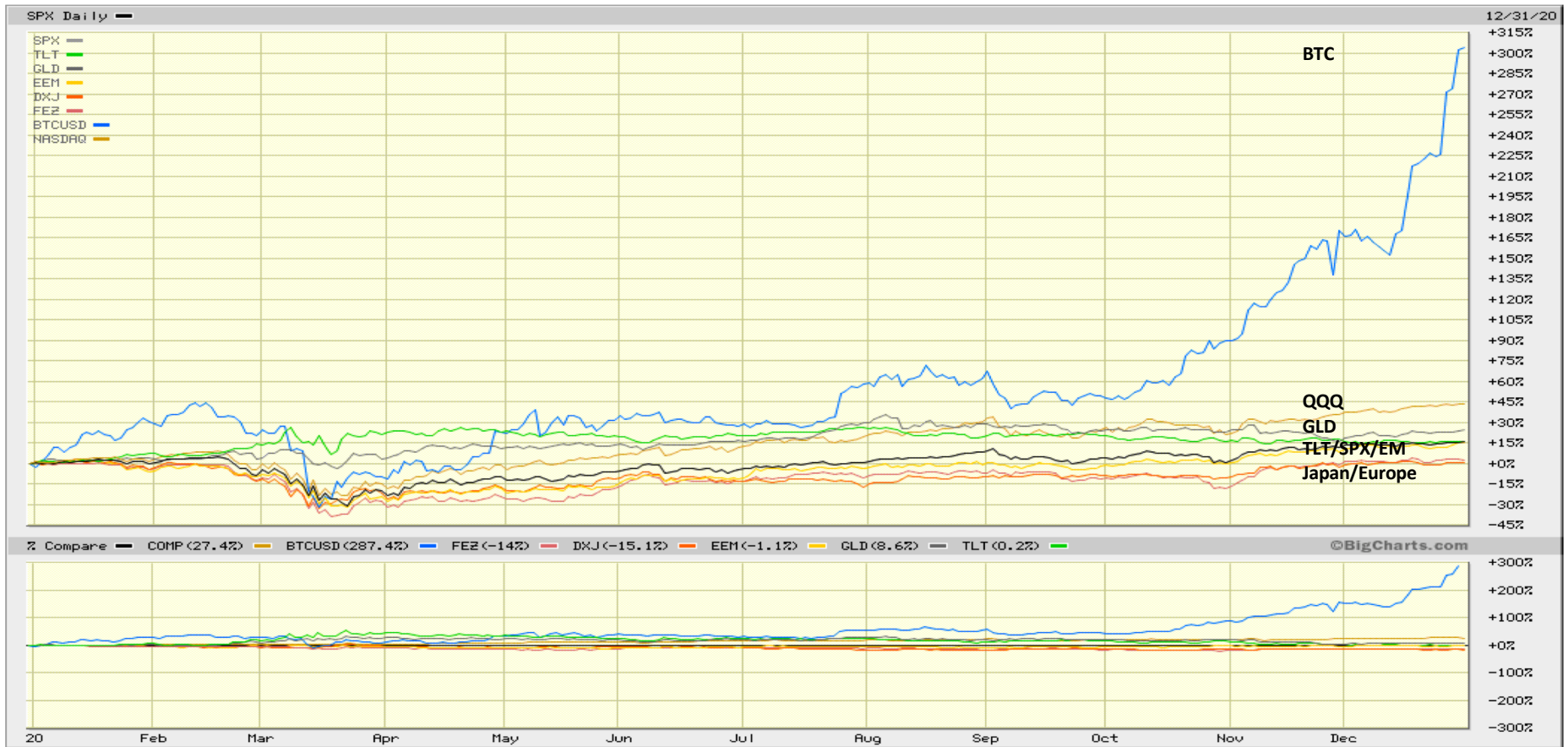
### Crypto Assets Opportunities

- Massive returns
- Uncorrelated assets
- Limited supply
- New asset class = Inefficient market

### Crypto Assets Challenges

- Custody is a pain. Who wants to hold my magic beans?
- Exchanges for retail. OTC for professionals.
- AML/KYC. Who is your sugar daddy?

# Wait, What..? Bitcoin Was The Best Performing Major Asset In 2020 (Again)



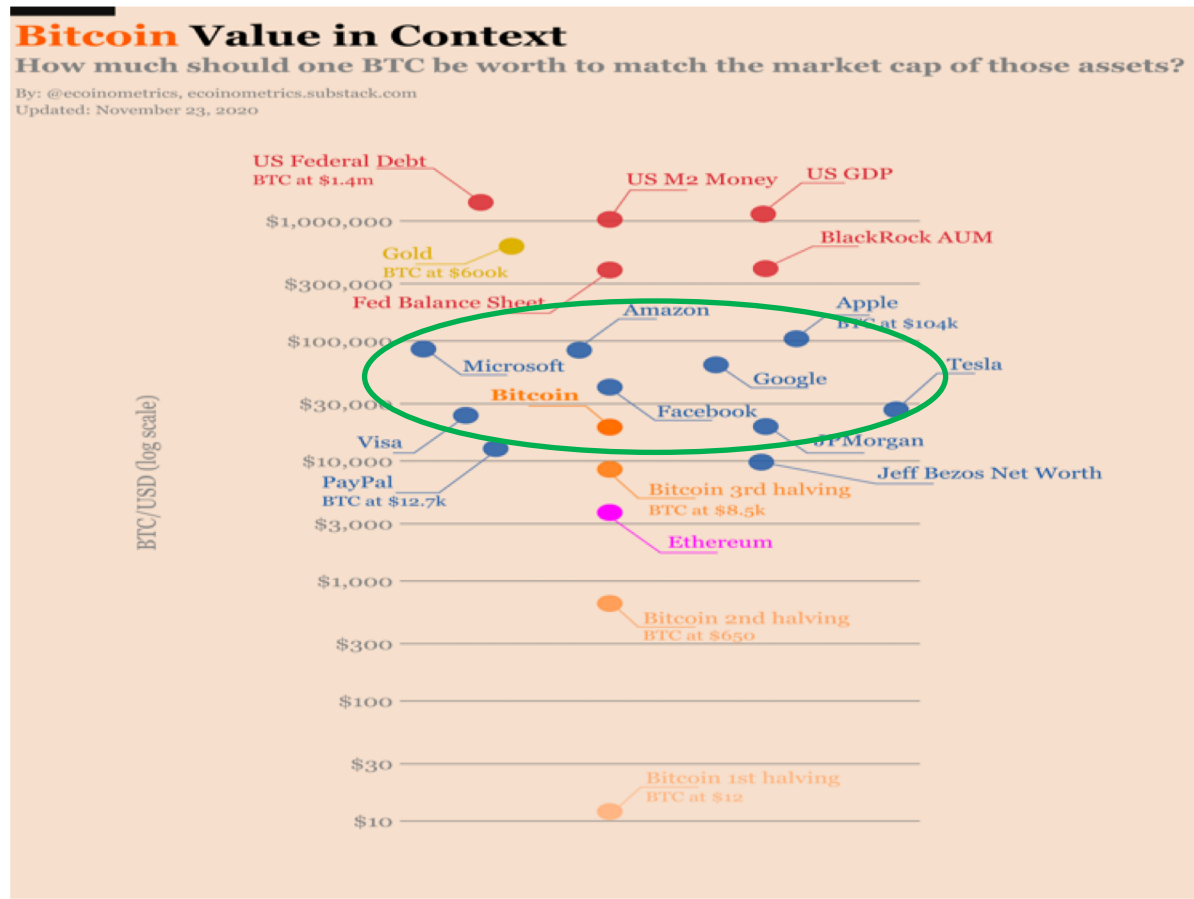
Source(s): Bigcharts.com

# Wait, What..? Bitcoin Still Top Performing Asset In 2021 Despite Volatility



Source(s): Bigcharts.com

# Bitcoin Network Equivalent To FANG Networks Today, Gold Equivalence Next



In terms of scale each Halving is adding one zero.

So, if Bitcoin continues to grow at this rate, we can expect roughly two halving cycles in order to move somewhere between gold and the US M2 money supply.

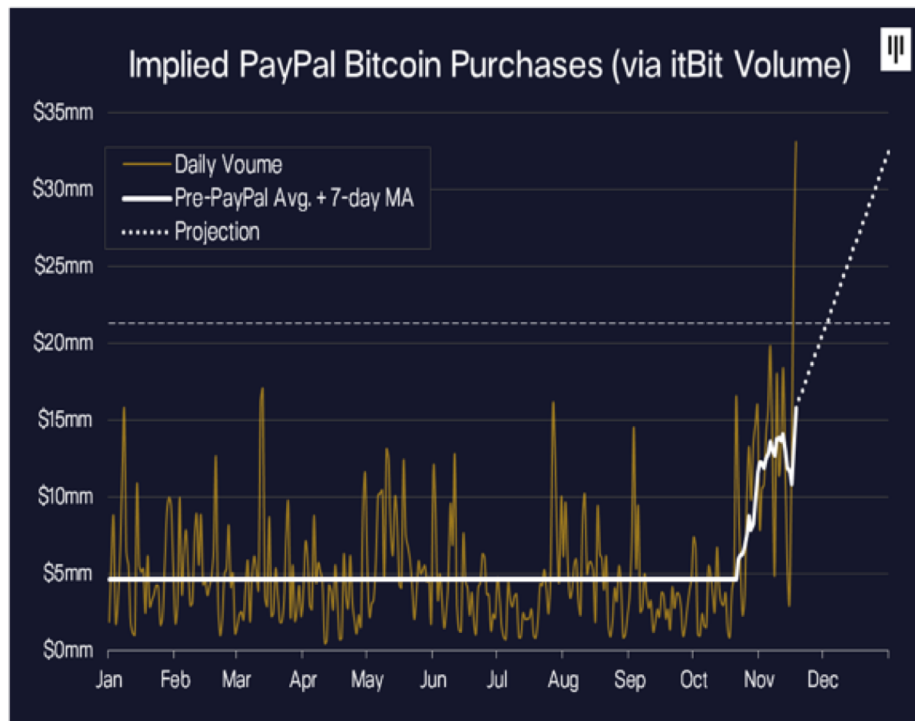
Even if you think the chances that this happens are low, should you pass on an investment with a potential 100X return over 8 years?

Your call...

Source(s): @ecoinometrics

## PayPal & CashApp Buy > 100% New Bitcoin, MicroStrategy Bought \$2.5B...

PayPal and CashApp already buying more than 100% of all newly-issued bitcoins. PayPal alone likely buying all within weeks. Where would Cash App get theirs? That's where the finite-supply, inelasticity part comes in, at a higher price...



Source(s): @dan\_pantera, @bit8coin

The screenshot shows a tweet from 'Bitcoin Trading @bit8coin' dated September 15. The tweet text reads: 'MicroStrategy Buys \$175M More in Bitcoin, Upping BTC Holdings to \$425M: Michael Saylor, the founder of MicroStrategy, said Tuesday his company has acquired an additional \$175 million in bitcoin (BTC) in a single purchase.' Below the text is a photo of Michael Saylor, founder of MicroStrategy, smiling. Underneath the photo is a link to a news article: 'MicroStrategy Buys \$175M More in Bitcoin, Upping BTC Holdings to \$4... Michael Saylor, the founder of Microstrategy, said Tuesday his company has acquired an additional \$175 million in bitcoin (BTC) in a single ... coindesk.com'. The tweet interface includes a Bitcoin icon, a retweet icon, a heart icon, an upload icon, and a tip icon.

# Emergence Of Digital Assets Are Rapidly Changing Investment Landscape

## The Investment Landscape is Changing

Digital assets are at the center of several trends reshaping the investment landscape.

**An evolving market paradigm** characterized by slower economic growth, high debt burdens, and divergent central bank policies



**Rapid advancements in technology** are changing how money is managed, how risk is measured and how clients interact with their investments



**Regulatory change** is reshaping industry economics and significantly increasing the cost of compliance



**Demographic shifts** driven by the next generation of investors entering their prime earning years and baby boomers facing retirement



©2018 Grayscale Investments, LLC



Source(s): Grayscale.co

Source: BlackRock: Built for Change. Geraldine Buckingham, Global Head of Corporate Strategy, June 2016.

# Digital Assets Enhance Efficient Frontier Within Modern Portfolio Theory

## A Brief Intro to Modern Portfolio Theory

“Diversification is the one free lunch of investing, and when you see a free lunch, the only rational thing to do is eat.”<sup>3</sup>

Cliff Asness, Managing Principal and CIO at AQR Capital Management

New asset classes are rare and very powerful because they offer a unique return stream that can provide a diversification benefit. This might seem like a simple concept, but few investors truly appreciate the impact this can have on the return/risk profile of a portfolio, and subsequent wealth creation.

According to Modern Portfolio Theory (“MPT”), by estimating the future returns, volatilities, and correlations of various assets, and pairing different combinations of each, an efficient frontier of portfolios can be constructed, in which the level of return is optimized per unit of risk.<sup>4</sup> While it has proven difficult to estimate these parameters for assets over short periods of time, in the long-run, equilibrium risk, return, and correlation values can be estimated more reliably, making this framework incredibly valuable for disciplined investors who stick to a strategic asset allocation.<sup>5</sup>

3. Source: AQR Perspective: Efficient Frontier “Theory for the Long Run. Cliff Asness, December 10, 2014. <https://www.aqr.com/Insights/Perspectives/Efficient-Frontier-Theory-for-the-Long-Run>.

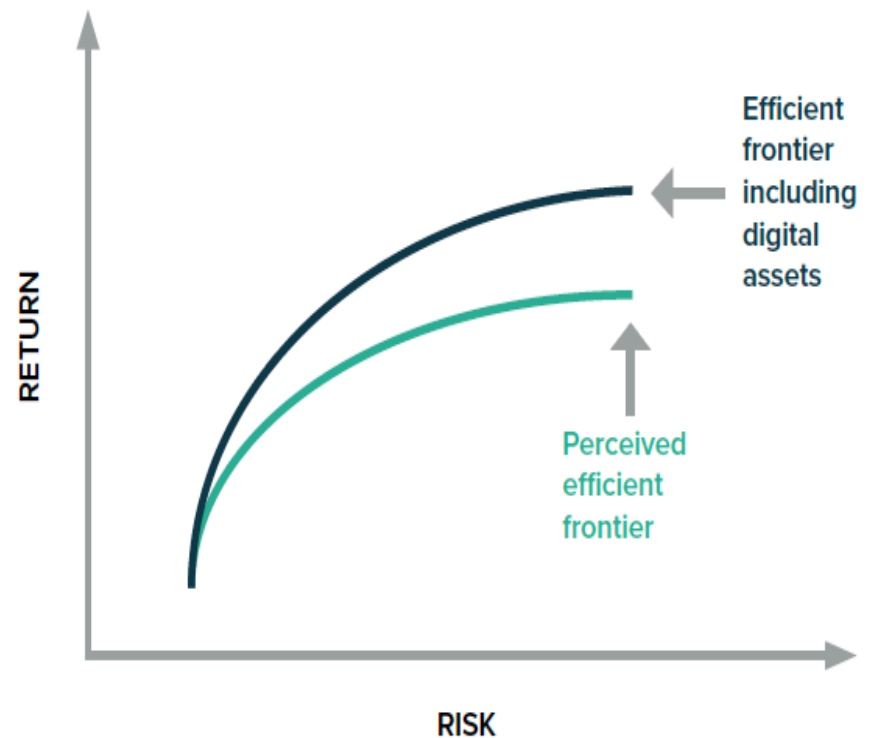
4. Throughout the paper we will use the Sharpe ratio to assess the risk-adjusted returns of portfolios. The Sharpe ratio is calculated by taking the annualized return earned on an investment in excess of the risk-free rate (often measured as the return of U.S. T-bills) divided by annualized volatility or total risk. The Sharpe ratio has become one of the most widely used methods for calculating risk-adjusted returns of portfolios. Generally, the greater the value of the Sharpe ratio, the more attractive the risk-adjusted return.

Source: Investopedia.

5. See footnote 3.

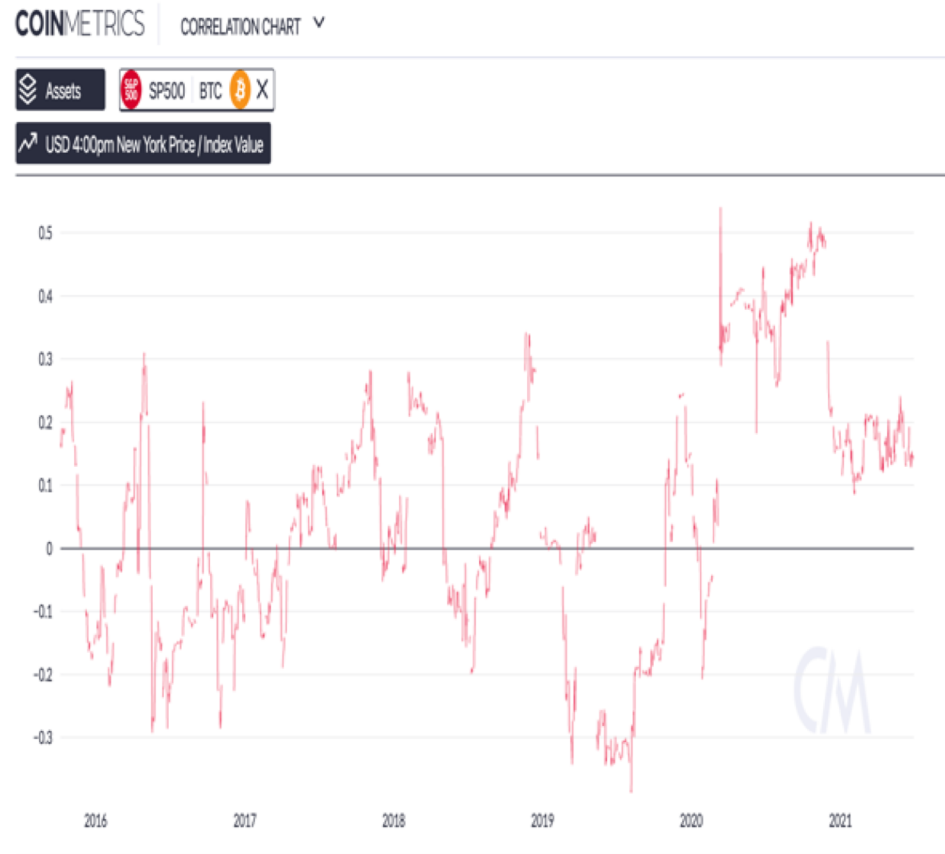
Source(s): Grayscale.co

FIGURE 1: THE NEW EFFICIENT FRONTIER





# Digital & Traditional Assets Derive Returns From Very Different Sources



## Primary Drivers of Returns

### Equity

Corporate Profits  
Economic Growth  
Interest Rates  
Productivity

### Bonds

Corporate Profits  
(For Corporate Bonds)  
Economic Growth  
Interest Rates  
Issuance

### Crypto

Investor Adoption  
Millennial Growth  
Network Growth  
Regulatory Development  
Technology Development

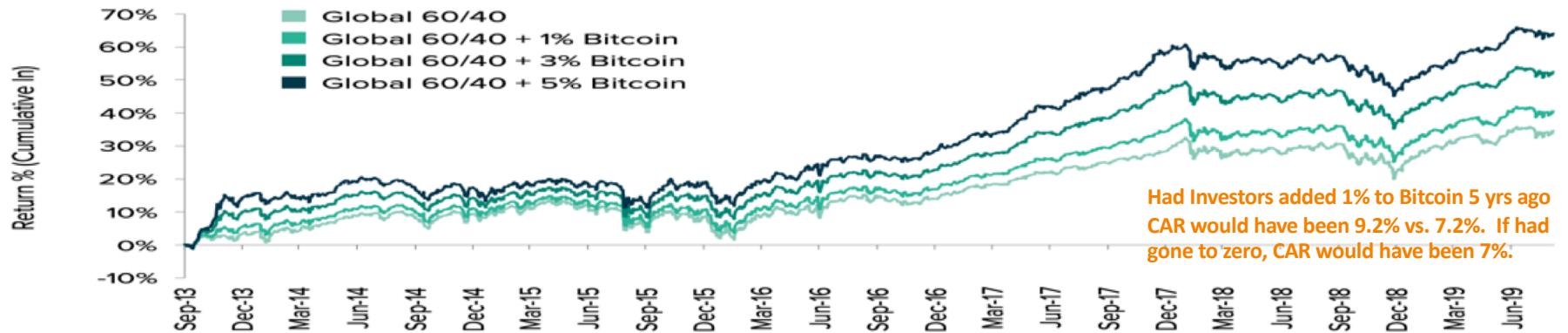
Source(s): Coinmetrics.com, Forbes.com

# Small Bitcoin Allocation Has Provided Huge Portfolio Benefit Over Time

Think you're diversified?

Got cryptocurrencies in your portfolio?

PORTFOLIO	Global 60/40	Global 60/40 +1% Bitcoin	Global 60/40 +3% Bitcoin	Global 60/40 +5% Bitcoin
Cumulative Total Return (%)	41.3%	50.1%	68.9%	89.8%
Annualized Total Return (%)	6.1%	7.1%	9.3%	11.5%
Annualized Risk (% Std Dev)	7.7%	7.7%	7.9%	8.5%
Sharpe Ratio	0.68	0.83	1.08	1.27
Change in Annualized Return (%)	--	1.1%	3.3%	5.5%
Change in Annualized Risk (%)	--	0.0%	0.2%	0.7%
Ratio Improvement	--	21%	58%	86%



@RVPub

Source(s): @GaborGurbacs



@GrayscaleInvest

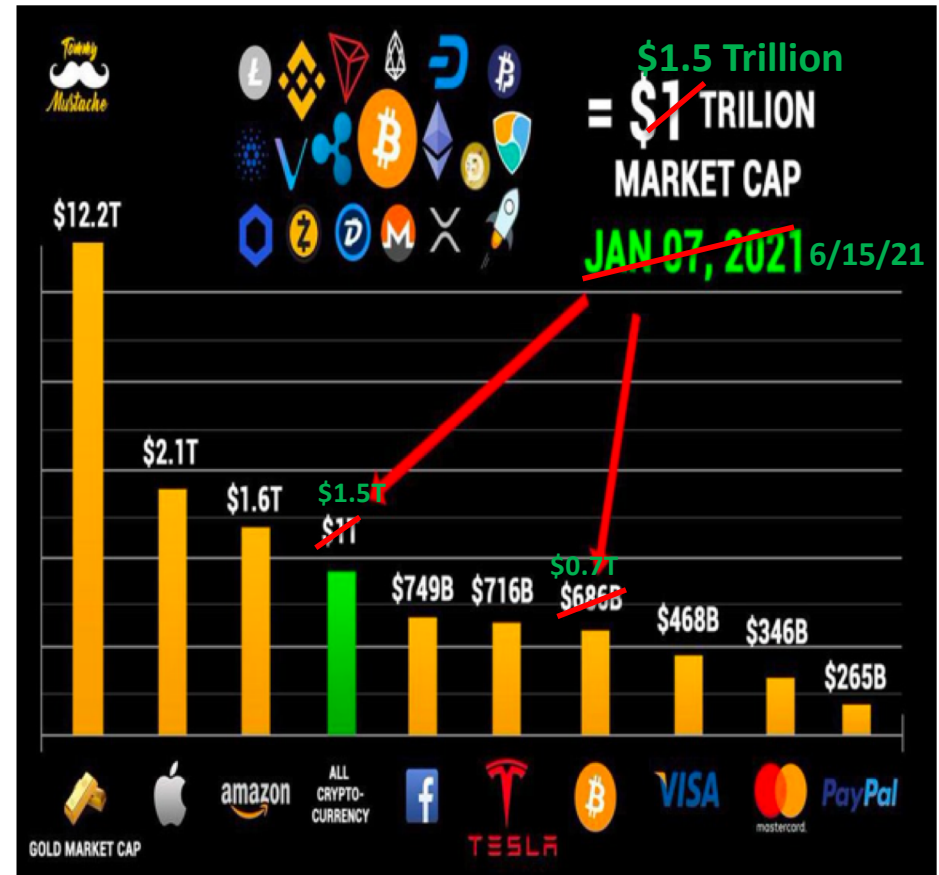
MORGAN CREEK  
CAPITAL MANAGEMENT

ALTERNATIVE THINKING ABOUT INVESTMENTS

# Ostrich Model Not Working For Institutional Investors: Time To #GetOffZero



"We need to rethink our strategy of hoping Bitcoin will just go away."



Source(s): @GaborGurbacs, @mustacheTommy, CoinMarketCap.com

# Myriad Opportunities To Capitalize On The Emergence Of Crypto Economy

## BITCOIN & BLOCKCHAIN STARTUPS MARKET MAP

**WALLETS & MONEY SERVICES**

- BLOCKCHAIN coins.ph
- bitpay
- uphold
- NETKI
- coinplug
- COSE
- wyre
- SNAPCARD
- xapo
- ripio
- ABRA
- COINJAR
- CIRCLE
- Ledger

**P2P MARKETPLACES & P2P LENDING**

- Atlas
- OpenBazaar
- BTCJA

**MERCHANT SERVICES**

- POSaBIT
- Purse
- loyal
- billion
- Coinify
- bitWAGE
- BitGo
- Align Commerce
- Bitfury
- siimplex

**CRYPTOCURRENCY MINING**

- HASHRABBIT
- BitFury

**IoT, IDENTITY & CONTENT MANAGEMENT**

- BITMARK
- SatoshiPay
- medicochain
- CHRONICLED
- ascribe
- FILAMENT
- CB

**STORAGE, SECURITY & REGULATORY**

- Skry
- CHAINALYSIS
- ELLIPTIC
- STORJ

**EXCHANGES & CRYPTOCURRENCY TRADING**

- coinbase
- BTCChina
- BITKAN
- QUOINE
- tech bureau Corp.
- KORBIT
- Polychain Capital
- kraken
- BITSTAMP
- bitf
- BITMUM
- bitaccess
- CRYPTOCURRENCY
- bitFlyer
- OKCoin

**ENTERPRISE SERVICES & CURRENCIES**

- Gem
- blocko
- FACTOM
- BIGCHAIN
- HASHED HEALTH
- orbi
- BLOCKCYpher
- colu

**SOCIAL & BROWSERS**

- brave
- blockstack

**CAPITAL MARKETS & FINANCIAL SERVICES**

- ripple
- PEERNOVA
- Chain
- SOLIDIX
- SETL
- NEUFUND
- symbiont
- LedgerX
- Hijro
- Digital Asset Holdings
- PAXOS
- funderbeam
- CRYEX
- CBINSIGHTS

## MORGAN CREEK-EXOS RISK-MANAGED BITCOIN FUND

MORGAN CREEK CAPITAL MANAGEMENT EXOS

### INVESTMENT OPPORTUNITY

(Please see next page for important disclosures)

Bitcoin has laid the foundation for a new asset class that may become the biggest technological innovation since the internet... BUT most have yet to invest because it is perceived as:

- New and unproven
- Volatile
- Highly technical

The Morgan Creek-Exos Risk-Managed Bitcoin Fund is designed to address these issues:

- Provides exposure to Bitcoin
- Reduces volatility of returns by employing quantitative risk management techniques
- Handles technical details around trade, transfer, and custody of Bitcoin

### FUND OBJECTIVES AND STRATEGY

**INVESTMENT STRATEGY**  
The Fund will fully allocate capital to bitcoin when its indicators are positive and reduce or exit its position when its indicators turn negative

**HISTORICAL RETURN PROFILE**  
We looked at the returns of investing in bitcoin or a hypothetical risk-managed strategy on each day from 1/1/2015 to 12/31/2019 and holding through 9/30/2020... and this is what we found

Metric	Risk-Managed	Bitcoin
High Annual Returns	244.5%	115.8%
Average Annual Returns	122.6%	65.2%
Low Annual Returns	23.3%	-19.4%
Average Annualized Volatility	53.7%	73.8%
Max Drawdown	-60.3%	-83.8%
Years to Recover	1.52	2.79+

Note: Hypothetical returns may not be consistent with actual returns. Please see Statistical Analysis of Historical Returns in the Risk Disclosures.


Source(s): @Cbinsights, MCM-Exos

# Morgan Creek Digital Focused On Investing In Blockchain Infrastructure

## INVESTMENT STRATEGY


MCD seeks to build a diversified portfolio of emerging technology companies solving real-world problems using Blockchain technology and Artificial Intelligence.<sup>(a)</sup>

<b>STRUCTURES</b>	Primarily equity investments in Blockchain and Artificial Intelligence / Big Data technology companies as well as Digital Assets
<b>TYPICAL COMPANY STRATEGIES</b>	Companies focused on Blockchain infrastructure such as digital financial services, cryptocurrency exchanges, digital asset hardware, network infrastructure and enterprise solutions Companies focused on Artificial Intelligence solutions that will enhance predictive analytics in industries such as healthcare, retail, manufacturing and financial services
<b>PORTFOLIO</b>	20 to 30 investments Core (3 to 5 investments), initial and follow-on Up to 30% in Digital Assets
<b>GEOGRAPHY</b>	Global
<b>FUNDING ROUND</b>	Generally seed and early stage with follow-ons in best performing companies
<b>CORE CHARACTERISTICS</b>	Team quality (top consideration) Uses Blockchain or Artificial Intelligence / Big Data to solve a real-world problem Product/service ready for use, with opportunity to scale Strong unit economics, plan for long-term profitability



≥70% PRIVATE EQUITY INVESTMENTS  
<30% DIGITAL ASSETS

(a) The Fund is not yet formed. This is a summary of proposed terms; final are terms subject to the actual operating documents for the Fund, which have not yet been finalized.



MORGAN CREEK DIGITAL FUND III 6

Source(s): MCCVM

# Morgan Creek Digital Focused On Investing In Innovation As An Asset Class

## A HISTORY OF INNOVATIVE INVESTMENTS

Since 2018, MCD has deployed ~\$120 million across more than 50 investments in Blockchain Intelligence and Digital Assets.<sup>(a)</sup>

	EQUITY <sup>(b)</sup>			DIGITAL ASSET <sup>(b)</sup>
	coinbase	BlockFi	FIGURE	bitcoin
INVESTMENT DATE <sup>(c)</sup>	August 2018	November 2018	February 2019	March 2019
VEHICLE(S) <sup>(b)</sup>	MCBO I	MCBO I, MCBO II	MCBO I, MCBO II	MCBO I, MCBO II
COMPANY DESCRIPTION	Leading Digital Asset exchange and other related services	Essential financial services for Digital Asset investors	Real estate lending platform and Blockchain securitization platform	Most valuable cryptocurrency held by institutions and retail investors
AMOUNT INVESTED	\$3.5 million	\$37.1 million	\$36.0 million	\$14.1 million
FUNDING ROUND	Series E	Series A, B, C and D Preferred	Series C	N/A
MCD LEAD INVESTOR	No	Yes	Yes	N/A
SOURCING	Proprietary relationship	Proprietary relationship	Proprietary relationship	N/A
MCD VALUE-ADD	Ongoing dialogue with venture partners on growth, product strategies Helped integrate Tagomi into new institutional platform	User growth, AUM increased through MCD relationships Advised management on growth strategy via board seat	Provided strategic advice about growth strategy through Board representation Sourced potential acquisitions to increase product offerings	Asset security Insight gained by operating full Bitcoin node Long-term outlook
LATEST UPDATES	Completed successful direct listing in April 2021	Led Series C round on 10/21/2019 at \$1.1 billion pre-money valuation	Diversifying business lines, likely moving Provenance to public domain	Rapid institutional adoption fueling value increase

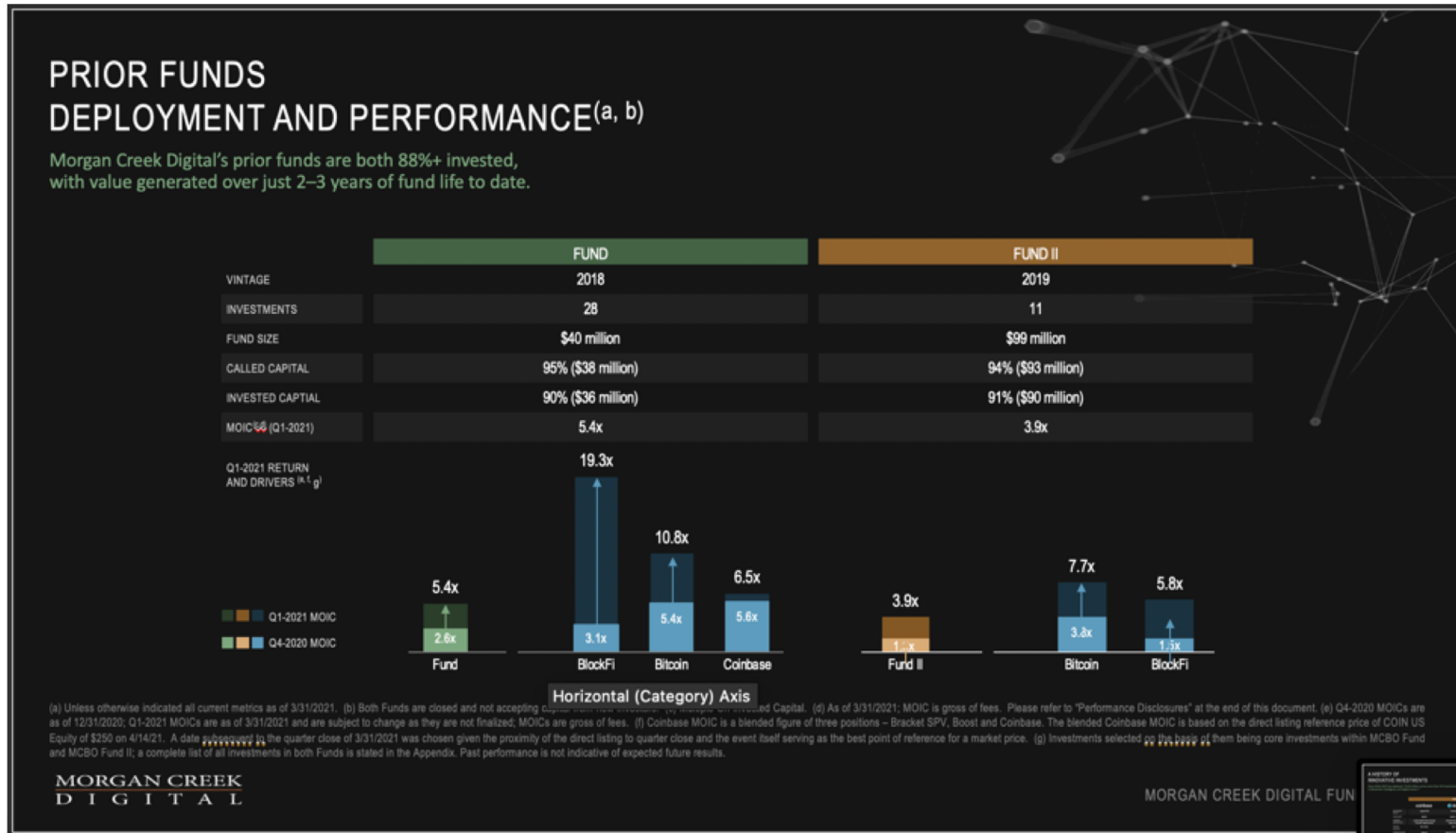
(a) MCD III is the third in a series of funds. The prior two funds were branded as Morgan Creek Blockchain Opportunities Fund I ("MCBO I") and Morgan Creek Blockchain Opportunities Fund II ("MCBO II"). Prior to MCD III, fund-raising was conducted under Morgan Creek Digital Assets (MCDA). The General Partners associated with MCD III are partially different from the General Partners associated with MCBO I and MCBO II. (b) Reflects four core investments in the prior vehicles. A full list of investments is available upon request. (c) Earliest investment date.

**MORGAN CREEK DIGITAL**

MORGAN CREEK DIGITAL FUN

Source(s): MCCM

# Morgan Creek Digital Has Established A Strong Track Record Of Success



Source(s): MCCM

## Contact Information

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**Morgan Creek Capital Management, LLC**  
**301 W. Barbee Chapel Road, Suite 200**  
**Chapel Hill, NC 27517**

Phone: 919-933-4004

Fax: 919-933-4048

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Email: [myusko@morgancreekap.com](mailto:myusko@morgancreekap.com)

Web: [www.morgancreekap.com](http://www.morgancreekap.com)



# Important Disclosures

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## Opinion

The information contained herein reflects opinions of Morgan Creek as of the time this presentation is written and all such opinions are subject to change. No representation or warranty, express or implied, is given by Morgan Creek as to the accuracy of such opinions and no liability is accepted by such persons for the accuracy or completeness of any such opinions.

## General

This is neither an offer to sell nor a solicitation of an offer to buy interests in any investment fund managed by Morgan Creek Capital Management, LLC or its affiliates, nor shall there be any sale of securities in any state or jurisdiction in which such offer or solicitation or sale would be unlawful prior to registration or qualification under the laws of such state or jurisdiction. Any such offering can be made only at the time a qualified offeree receives a Confidential Private Offering Memorandum and other operative documents which contain significant details with respect to risks and should be carefully read. Neither the Securities and Exchange Commission nor any State securities administrator has passed on or endorsed the merits of any such offerings of these securities, nor is it intended that they will. This document is for informational purposes only and should not be distributed. Securities distributed through Morgan Creek Capital Distributors, LLC, Member FINRA/SIPC.

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This presentation shall not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, the securities in any state or jurisdiction in which such offer or solicitation or sale would be unlawful prior to registration or qualification under the laws of such state or jurisdiction. Forward-Looking Statements: This presentation contains certain statements that may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, included herein are "forward-looking statements." Included among "forward-looking statements" are, among other things, statements about our future outlook on opportunities based upon current market conditions. Although the company believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. One should not place undue reliance on these forward-looking statements, which speak only as of the date of this discussion. Other than as required by law, the company does not assume a duty to update these forward-looking statements. Past performance is no guarantee of future results. The illustrations are not intended to predict the performance of any specific investment or security. The past performance figures do not represent performance of any MCCM security and there can be no assurance that any MCCM security will achieve the past returns of the illustrative examples. This is not an offering to subscribe for units in any fund and is intended for informational purposes only. An offering can only be made by delivery of the Prospectus to "qualified clients" within the meaning of U.S. securities laws.

## No Warranty

Morgan Creek Capital Management, LLC does not warrant the accuracy, adequacy, completeness, timeliness or availability of any information provided by non-Morgan Creek sources, including accessibility of unavailable funds.

## Risk Summary

Investment objectives are not projections of expected performance or guarantees of anticipated investment results. Actual performance and results may vary substantially from the stated objectives with respect to risks. Investments are speculative and are meant for sophisticated investors. An investor may lose all or a substantial part of its investment in funds managed by Morgan Creek Capital Management, LLC. There are also substantial restrictions on transfers. Certain of the underlying investment managers in which the funds managed by Morgan Creek Capital Management, LLC invest may employ leverage (certain Morgan Creek funds also employ leverage) or short selling, may purchase or sell options or derivatives and may invest in speculative or illiquid securities. Funds of funds have a number of layers of fees and expenses which may offset profits. This is a brief summary of investment risks. Prospective investors should carefully review the risk disclosures contained in the funds' Confidential Private Offering Memoranda. No investment is risk free; loss of principal is possible. Alternative investments involve specific risks that may be greater than those associated with traditional investments. One should consider the special risks with alternative investments, including limited liquidity, tax considerations, incentive fee structures, potentially speculative investment strategies, and different regularly and reporting requirements. There can be no assurance that any investment will meet its performance objectives or that substantial losses will be avoided.

## Indices

The index information is included merely to show the general trends in certain markets in the periods indicated and is not intended to imply that the portfolio of any fund managed by Morgan Creek Capital Management, LLC was similar to the indices in composition or element of risk. The indices are unmanaged, not investable, have no expenses and reflect reinvestment of dividends and distributions. Index data is provided for comparative purposes only. A variety of factors may cause an index to be an inaccurate benchmark for a particular portfolio and the index does not necessarily reflect the actual investment strategy of the portfolio.

**S&P 500 Index** -- this is an index consisting of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The index is a market-value weighted index – each stock's weight in the index is proportionate to its market value. Definition is from Standard and Poor's.

**Sharpe Ratio:** Return (numerator) is defined as the incremental average return of an investment over the risk free rate. Risk (denominator) is defined as the standard deviation of the investment returns.

**Sortino Ratio:** A ratio similar to the Sharpe Ratio, except it uses downside deviation for the denominator instead of standard deviation, the use of which does not discriminate between up and down volatility.

# Important Disclosures

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## **Fund**

This fund is formed. All final terms will be subject to the actual operative documents for the Fund. There is no guarantee that any targets or projections contained herein will be met, and the contents of this material should not be unduly relied upon. Allocations are subject to change at the discretion of the manager in accordance with the fund offering documents. This material is not meant to be, nor shall it be construed as, an attempt to define all terms and conditions of any transaction or to contain all information that is or may be material to an investor. Morgan Creek Capital Management, LLC is not soliciting any action based upon this material, and this material is not meant to be, nor shall it be construed as, an offer or solicitation of an offer for the purchase or sale of any security or advisory or other service. If in the future any security or service is offered or sold, such offer or sale shall occur only pursuant to, and a decision to invest therein should be made solely on the basis of, a definitive disclosure document, and shall be made exclusively to qualified purchasers in a private offering exempt from registration under all applicable securities and other laws. Any such disclosure document shall contain material information not contained herein, and shall supplement, amend, and/or supersede in its entirety the information referred to herein. Nothing contained in this material is, or should be, relied upon as a representation as to past or future performance, and no assurance, promise, or representation can be made as to actual returns.

## **General**

Past performance is not indicative of future results. Morgan Creek Capital Management, LLC does not warrant the accuracy, adequacy, completeness, timeliness or availability of any information provided by non-Morgan Creek sources. There can be no assurance that the investment objectives of Morgan Creek-Exos SPAC+ Fund or any company in which Morgan Creek-Exos SPAC+ Fund invested will be achieved. The Morgan Creek-Exos SPAC+ Fund data set forth in this document is not audited and is subject to change upon audit. This is neither an offer to sell nor a solicitation of an offer to buy interests in any investment fund managed by Morgan Creek Capital Management, LLC or its affiliates, nor shall there be any sale of securities in any state or jurisdiction in which such offer or solicitation or sale would be unlawful prior to registration or qualification under the laws of such state or jurisdiction. Any such offering can be made only at the time a qualified offeree receives a Confidential Private Offering Memorandum and other operative documents which contain significant details with respect to risks and should be carefully read. Neither the Securities and Exchange Commission nor any State securities administrator has passed on or endorsed the merits of any such offerings of these securities, nor is it intended that they will. Securities distributed through Morgan Creek Capital Distributors, LLC, Member FINRA/SIPC. This document is for informational purposes only.

## **Performance Disclosures**

There can be no assurance that the investment objectives of any fund managed by Morgan Creek Capital Management, LLC will be achieved.

## **Historical Returns**

The historical returns outlined compare the average annual return of 70 SPACs that consummated IPOs after January 1, 2015 and either completed acquisitions or were liquidated before December 19, 2019 with the average annual return of both the iShares iBoxx Investment Grade Corporate Bond ETF (Ticker: LQD US) and the iShares iBoxx High Yield Corporate Bond ETF (Ticker: HYG US) over the same period. For the SPACs, common shares were assumed to have been sold at the higher of VWAP in the 5 days preceding combination and the redemption price, while warrants/rights were assumed to have been sold at VWAP 5 days post combination. The results shown do not represent the results of actual trading using client assets.

## **Forward-Looking Statements**

This presentation contains certain statements that may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical fact, included herein are "forward-looking statements." Included among "forward-looking statements" are, among other things, statements about our future outlook on opportunities based upon current market conditions. Although the company believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. One should not place undue reliance on these forward-looking statements, which speak only as of the date of this discussion. Other than as required by law, the company does not assume a duty to update these forward-looking statements.

## **Risk Summary**

Investment objectives are not projections of expected performance or guarantees of anticipated investment results. Actual performance and results may vary substantially from the stated objectives with respect to risks. Investments are speculative and are meant for sophisticated investors only. An investor may lose all or a substantial part of its investment in funds managed by Morgan Creek Capital Management, LLC. There are also substantial restrictions on transfers. Certain of the underlying investment managers in which the funds managed by Morgan Creek Capital Management, LLC invest may employ leverage (certain Morgan Creek funds also employ leverage) or short selling, may purchase or sell options or derivatives and may invest in speculative or illiquid securities. Funds of funds have layers of fees and expenses which may offset profits. This is a brief summary of investment risks. Prospective investors should carefully review the risk disclosures contained in the funds' Confidential Private Offering Memoranda.

## **SPAC Risks**

SPACs are "blank check" companies with no operating history and, at the time that the Partnership invests in a SPAC, the SPAC typically has not conducted any discussions or made any plans, arrangements or understandings with any prospective transaction candidates. Accordingly, there is a limited basis (if any) on which to evaluate the SPAC's ability to achieve its business objective, and the value of its securities is particularly dependent on the ability of the entity's management to identify and complete a profitable acquisition. While certain SPACs are formed to make transactions in specified market sectors, others are complete "blank check" companies, and the management of the SPAC may have limited experience or knowledge of the market sector in which the transaction is made. Accordingly, at the time that the Partnership invests in a SPAC, there may be little or no basis for the Fund to evaluate the possible merits or risks of the particular industry in which the SPAC may ultimately operate or the target business which the SPAC may ultimately acquire. A SPAC will not generate any revenues until, at the earliest, after the consummation of a transaction. While a SPAC is seeking a transaction target, its stock may be thinly traded. There can be no assurance that a market will develop. The proceeds of a SPAC IPO that are placed in trust are subject to risks, including the risk of insolvency of the custodian of the funds, fraud by the trustee, interest rate risk and credit and liquidity risk relating to the securities and money market funds in which the proceeds are invested. SPACs invest their trust assets in U.S. Treasuries or money market funds, which may also be at risk for loss at various times."

## **Concentration Risks**

The allocation of a large portion of the Fund's capital to one or a small number of investments could increase the risk of investing in the Fund due to a lack of diversification in the portfolio.



MORGAN CREEK CAPITAL MANAGEMENT

[WWW.MORGANCREEKCAP.COM](http://WWW.MORGANCREEKCAP.COM)



# Board of Retirement Meeting

San Joaquin County Employees' Retirement Association

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## Agenda Item 8.0

July 9, 2021

**SUBJECT: Alternate Retired Member of the Board**

**SUBMITTED FOR:   \_\_\_ CONSENT    X ACTION    \_\_\_ INFORMATION**

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### RECOMMENDATION

Staff recommends the Board appoint an Alternate Retired Member of the Board. The Board may appoint a member from a list of nominees provided by the Retired Public Employees of San Joaquin County (RPESJC).

### PURPOSE

To fill the vacancy in the Alternate Retired Member seat as authorized by the County Employees' Retirement Law (CERL).

### DISCUSSION


The official canvass for the Eighth Member and Alternate Retired Member seats elected by the retired members of SJCERA was held on June 22, 2021. Three candidates filed for the Eighth Member seat, but no candidates filed for the Alternate Retired Member seat. Consequently, the Alternate Retired Member seat became vacant on July 1, 2021.

In the event of a vacancy in the Alternate Retired Member seat, Government Code Section 31523 requires the Board of Retirement to appoint a replacement. Government Code Section 31520.5 defines the process by which the Board makes the appointment. It states, the Board "may, by majority vote, appoint, from a list of nominees submitted by a recognized retiree organization, an alternate retired member who shall serve until the expiration of the current term of the current eighth member."

In 1999, the Board of Retirement recognized RPESJC as a retiree organization. As the recognized retiree organization, RPESJC provided the attached letter dated June 28, 2021, naming Stephen Moore as their nominee to the Alternate Retired Member seat.

### ATTACHMENT

RPESJC Letter Dated June 28, 2021

  
\_\_\_\_\_  
JOHANNA SHICK  
Chief Executive Officer

  
\_\_\_\_\_  
GREG FRANK  
Management Analyst III



*PO Box 8556  
Stockton, CA 95208-0556  
(209 466-8556*

June 28, 2021

San Joaquin County Employees' Retirement System  
6 South El Dorado Street  
Stockton, CA 95202

Re: Appointment of Alternate Retiree Member to Board of Retirement

Dear Chairman Restuccia and Board Members:

Pursuant to the County Employees Retirement Law (CERL) there is an opportunity for each '37 Act system to have an Alternate Retiree Member on the Board of Retirement. During the recently completed voting process for the eighth member (Retiree Member), no eligible retiree applied to run for the alternate seat. Government Code Section 31520.5 states that "the board of retirement may, by majority vote, appoint, from a list of nominees submitted by a recognized retiree organization, an alternate retired member to the office of the eighth member...".

Until 2016, the Retired Public Employees of San Joaquin County (RPESJC) bylaws specified that the Retiree Member and Alternate Retiree Member of the Board of Retirement were members of the RPESJC Board of Directors. The bylaws were amended to delete that requirement, largely because individuals in those elected positions could not in reality be compelled to sit on our Board. As an example, Ms. Praus was an exemplary member of the Board of Retirement, and is active in RPESJC, but simply declined to sit on its Board of Directors. Mr. Van Houten, however, was a RPESJC Board member.

During a discussion, at its June 24, 2021 Board meeting, of possible nominees to submit for the Alternate Retiree Member seat, the RPESJC Board members strongly expressed the significant value of having a link between our two organizations at the board level. Inasmuch as Stephen Moore received the second most votes in the Retiree Member election, and currently is a member of our Board, the RPESJC Board of Directors nominates him to serve as the Alternate Retiree Member of the Board of Retirement.

Thank you for your consideration.

William Mitchell, President  
Retired Public Employees of San Joaquin County

*On the Web at [rpesjc.org](http://rpesjc.org)  
E-mail: [rpesjc@gmail.com](mailto:rpesjc@gmail.com)*



# Board of Retirement Meeting

San Joaquin County Employees' Retirement Association

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## Agenda Item 9.0

July 9, 2021

**SUBJECT: Selection of a Vendor to Write Pension Administration System (PAS) Request for Proposal (RFP)**

**SUBMITTED FOR:        CONSENT      X   ACTION        INFORMATION**

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### RECOMMENDATION

The Evaluation Team recommends the Board select Linea Solutions to provide the PAS consulting services described in RFP 2021-03.

### PURPOSE

To contract with a vendor to write an RFP for a new PAS as stated in Year 1 of the Five-Year Technology Plan, which the Board approved at the December 11, 2020, meeting.

### DISCUSSION

Staff issued an RFP for PAS consulting services and received three proposals from the following firms, listed in alphabetical order, by the filing deadline on April 29, 2021:

- Linea Solutions
- Provaliant Retirement
- Segal

The Evaluation Team consisted of Chief Executive Officer (CEO) Johanna Shick, Assistant Chief Executive Officer (ACEO) Kathy Herman, Management Analyst III Greg Frank, and Information Systems Manager Adnan Khan. The Evaluation Team determined that all proposals received were complete, in compliance with the RFP filing requirements, and met the minimum qualifications specified in the RFP.

All firms were deemed capable of providing PAS consulting services for SJCERA; however, the Evaluation Team scored Linea and Segal as the two finalists based upon the following criteria:

- Organization and presentation of proposal
- Scope of work
- Staffing
- Organization
- PAS experience
- Fees

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The fee proposals submitted by the finalists were approximately the same. The Evaluation Team conducted Zoom interviews with the finalists and Zoom interviews with their client references. Overall, the Evaluation Team determined Linea is the best fit for SJCERA.

The reasons the Evaluation Team recommends Linea are as follows:

- Linea's project teams have worked with more '37 Act clients than any other vendor
- Linea's staffing proposal aligns well with SJCERA's staffing model
- Linea's Project Manager is finalizing the StanCERA implementation and is well qualified to support SJCERA
- Linea's depth of resources
- Linea's approach of providing programmers the client needs, rather than prescribing the solution to those needs, and
- Linea's focus on infrastructure and cybersecurity best practices

The scope of work to be provided in 2021, at a proposed cost of \$250,080, is as follows:

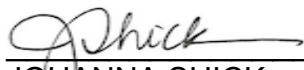
- Evaluate the system to identify existing functionality and unique and/or critical processes that should be considered when selecting a new system,
- Develop system requirements, both technical and functional, based on the business needs of each functional area as well as the organization as a whole,
- Provide recommendations for augmenting functionality and changing business practices to align with standard industry practices, and
- Write the RFP and help facilitate the selection of a PAS vendor

An additional scope of work, Project Management Oversight, will not take place until 2022, at a proposed cost of \$1,783,040. This item will be included in the 2022 Administrative Budget, which is scheduled to be brought before the Administrative Committee for approval at the November meeting.

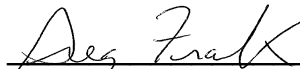
Following the Board's approval, staff will commence contract negotiations. Upon successful contract negotiation, the CEO will execute a contract with Linea in consultation with SJCERA's General Counsel.

#### **ATTACHMENT**

None



JOHANNA SHICK  
Chief Executive Officer



GREG FRANK  
Management Analyst III

# San Joaquin County Employees Retirement Association (SJCERA)

## Preliminary Monthly Flash Report (Net)

May 2021

Commitment (\$000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
<b>TOTAL PLAN<sup>1</sup></b>		\$ 3,747,012,843	100.0%	100.0%	1.1	6.1	6.5	18.5	8.5	8.4	7.9	Apr-90
<i>Policy Benchmark<sup>4</sup></i>					1.0	4.1	5.7	19.5	9.2	9.4	7.8	
<i>Difference:</i>					0.1	2.0	0.8	-1.0	-0.7	-1.0	0.1	
<i>75/25 Portfolio<sup>5</sup></i>					1.4	6.7	7.5	32.0	13.1	11.6	7.8	
<i>Difference:</i>					-0.3	-0.6	-1.0	-13.5	-4.6	-3.2	0.1	
<b>Broad Growth</b>		\$ 2,826,212,851	75.4%	75.0%	1.4	7.5	8.4	25.0	9.6	10.4	8.6	Jan-95
<b>Aggressive Growth Lag<sup>2</sup></b>		\$ 261,826,484	7.0%	10.0%	10.1	10.1	10.1	12.4	9.9	10.2	-4.8	Feb-05
<i>MSCI ACWI +2%Lag</i>					3.0	8.3	8.3	11.9	10.8	10.1	0.0	
<i>Difference:</i>					7.1	1.8	1.8	0.5	-0.9	0.1	-4.8	
<b>BlackRock Global Energy&amp;Power Lag<sup>3</sup></b>	\$50,000	Global Infrastructure	\$ 14,096,272	0.4%	1.3	1.3	1.3	--	--	--	10.3	Jul-19
<i>MSCI ACWI +2%Lag</i>					4.8	15.3	15.3	--	--	--	19.7	
<i>Difference:</i>					-3.5	-14.0	-14.0	--	--	--	-9.4	
<b>Ocean Avenue II Lag<sup>3</sup></b>	\$40,000	PE Buyout FOF	\$ 30,055,968	0.8%	25.0	25.0	25.0	39.4	18.9	21.9	13.3	May-13
<i>MSCI ACWI +2% Lag</i>					4.8	15.3	15.3	19.1	13.1	11.4	10.6	
<i>Difference:</i>					20.2	9.7	9.7	20.3	5.8	10.5	2.7	
<b>Ocean Avenue III Lag<sup>3</sup></b>	\$50,000	PE Buyout FOF	\$ 53,593,391	1.4%	11.7	11.7	11.7	9.0	19.5	--	21.0	Apr-16
<i>MSCI ACWI +2% Lag</i>					4.8	15.3	15.3	19.1	13.1	--	11.6	
<i>Difference:</i>					6.9	-3.6	-3.6	-10.1	6.4	--	9.4	
<b>Ocean Avenue IV Lag<sup>3</sup></b>	\$50,000	PE Buyout	\$ 20,809,249	0.6%	20.9	20.9	20.9	--	--	--	38.3	Dec-19
<i>MSCI ACWI +2% Lag</i>					4.8	15.3	15.3	--	--	--	24.3	
<i>Difference:</i>					16.1	5.6	5.6	--	--	--	14.0	
<b>Morgan Creek III Lag<sup>3</sup></b>	\$10,000	Multi-Strat FOF	\$ 6,099,653	0.2%	8.3	8.3	8.3	3.1	-5.1	0.6	-1.6	Feb-15
<i>MSCI ACWI +2% Lag</i>					4.8	15.3	15.3	19.1	13.1	11.4	11.1	
<i>Difference:</i>					3.5	-7.0	-7.0	-16.0	-18.2	-10.8	-12.7	
<b>Morgan Creek V Lag<sup>3</sup></b>	\$12,000	Multi-Strat FOF	\$ 9,497,816	0.3%	0.0	0.0	0.0	1.7	7.9	9.0	12.1	Jun-13
<i>MSCI ACWI +2% Lag</i>					4.8	15.3	15.3	19.1	13.1	11.4	10.6	
<i>Difference:</i>					-4.8	-15.3	-15.3	-17.4	-5.2	-2.4	1.5	
<b>Morgan Creek VI Lag<sup>3</sup></b>	\$20,000	Multi-Strat FOF	\$ 25,332,027	0.7%	9.6	9.6	9.6	17.8	15.1	12.7	7.5	Feb-15
<i>MSCI ACWI +2% Lag</i>					4.8	15.3	15.3	19.1	13.1	11.4	11.1	
<i>Difference:</i>					4.8	-5.7	-5.7	-1.3	2.0	1.3	-3.6	
<b>Opportunistic Private Real Estate</b>												
<b>Greenfield V<sup>3</sup></b>	\$30,000	Opportunistic Pvt. RE	\$ 227,471	0.0%	-2.0	-2.0	-2.0	-26.0	-11.0	-4.8	-3.2	Jul-08
<i>NCREIF ODCE + 1% Lag Blend</i>					2.1	2.1	2.1	4.4	8.2	9.5	8.2	
<i>Difference:</i>					-4.1	-4.1	-4.1	-30.4	-19.2	-14.3	-11.4	
<b>Greenfield VI<sup>3</sup></b>	\$20,000	Opportunistic Pvt. RE	\$ 172,521	0.0%	-24.9	-24.9	-24.9	-37.4	-35.5	-24.2	-9.9	Apr-12
<i>NCREIF ODCE + 1% Lag Blend</i>					2.1	2.1	2.1	4.4	8.2	9.5	12.5	
<i>Difference:</i>					-27.0	-27.0	-27.0	-41.8	-43.7	-33.7	-22.4	
<b>Greenfield VII<sup>3</sup></b>	\$19,100	Opportunistic Pvt. RE	\$ 9,627,532	0.3%	11.2	11.2	11.2	8.5	11.9	12.7	12.6	Oct-14
<i>NCREIF ODCE + 1% Lag Blend</i>					2.1	2.1	2.1	4.4	8.2	9.5	11.4	
<i>Difference:</i>					9.1	9.1	9.1	4.1	3.7	3.2	1.2	
<b>Grandview<sup>3</sup></b>	\$30,000	Opportunistic Pvt. RE	\$ 19,232,146	0.5%	4.5	4.5	4.5	20.9	6.7	--	6.7	Apr-18
<i>NCREIF ODCE + 1% Lag Blend</i>					2.1	2.1	2.1	4.4	8.2	9.5	8.5	
<i>Difference:</i>					2.4	2.4	2.4	16.5	--	--	-1.8	
<b>Miller Global Fund VI<sup>3</sup></b>	\$30,000	Opportunistic Pvt. RE	\$ 392,542	0.0%	9.4	9.4	9.4	-67.1	-29.5	-15.2	-6.5	May-08
<i>NCREIF ODCE + 1% Lag Blend</i>					2.1	2.1	2.1	4.4	8.2	9.5	8.2	
<i>Difference:</i>					7.3	7.3	7.3	-71.5	-37.7	-24.7	-14.7	
<b>Miller Global Fund VII<sup>3</sup></b>	\$15,000	Opportunistic Pvt. RE	\$ 273,461	0.0%	16.1	16.1	16.1	15.1	-5.3	0.3	24.8	Dec-12
<i>NCREIF ODCE + 1% Lag Blend</i>					2.1	2.1	2.1	4.4	8.2	9.5	11.8	
<i>Difference:</i>					14.0	14.0	14.0	10.7	-13.5	-9.2	13.0	

<sup>1</sup>Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

<sup>2</sup>Total class returns are as of 3/31/21, and lagged 1 quarter.

<sup>3</sup>Manager returns are as of 3/31/21, and lagged 1 quarter. Since Inception date reflects one quarter lag.

<sup>4</sup>4/1/20 to present benchmark is **32%** MSCI ACWI IMI, **10%** BB Aggregate Bond Index, **17%** 50% BB High Yield/50% S&P Leveraged Loans, **6%** NCREIF ODCE +1% lag; **10%** T-Bill +4%, **10%** MSCI ACWI +2%, **15%** CRO Custom Benchmark. Prior to 4/1/20 benchmark is legacy policy benchmark.

<sup>5</sup>4/1/20 to present **75%** MSCI ACWI, **25%** BB Global Aggregate. Prior to 4/1/20 **60%** MSCI ACWI, **40%** BB Global Aggregate.



# San Joaquin County Employees Retirement Association (SJCERA)

## Preliminary Monthly Flash Report (Net)

May 2021

Commitment (\$000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date	
<b>Opportunistic Private Real Estate (continued)</b>													
<b>Walton Street V<sup>3</sup></b>	\$30,000	Opportunistic Pvt. RE	\$ 2,060,130	0.1%	0.8	0.8	0.8	-8.7	-15.0	-8.6	-4.3	Nov-06	
NCREIF ODCE + 1% Lag Blend					2.1	2.1	2.1	4.4	8.2	9.5	9.3		
Difference:					-1.3	-1.3	-1.3	-13.1	-23.2	-18.1	-13.6		
<b>Walton Street VI<sup>3</sup></b>	\$15,000	Opportunistic Pvt. RE	\$ 4,695,403	0.1%	-0.8	-0.8	-0.8	-11.0	-2.5	-1.4	6.8	Jul-09	
NCREIF ODCE + 1% Lag Blend					2.1	2.1	2.1	4.4	8.2	9.5	11.1		
Difference:					-2.9	-2.9	-2.9	-15.4	-10.7	-10.9	-4.3		
<b>Value-Added Private Real Estate</b>													
<b>AG Core Plus IV<sup>3</sup></b>	\$20,000	Value-Added Pvt. RE	\$ 19,412,416	0.5%	3.8	3.8	3.8	6.1	8.9	7.6	4.6	Sep-15	
NCREIF ODCE + 1% Lag Blend					2.1	2.1	2.1	4.4	8.2	9.5	10.6		
Difference:					1.7	1.7	1.7	1.7	0.7	-1.9	-6.0		
<b>Almanac Realty VI<sup>3</sup></b>	\$30,000	Value-Added Pvt. RE	\$ 3,574,816	0.1%	-6.5	-6.5	-6.5	-32.9	-13.0	-5.5	22.5	Feb-13	
NCREIF ODCE + 1% Lag Blend					2.1	2.1	2.1	4.4	8.2	9.5	12.5		
Difference:					-8.6	-8.6	-8.6	-37.3	-21.2	-15.0	10.0		
<b>Berkeley Partners Fund V, LP</b>	\$40,000	Value-Added Pvt. RE	\$ 3,742,531	0.1%	6.7	6.7	6.7	--	--	--	0.0	Aug-20	
NCREIF ODCE + 1% Lag Blend					2.1	2.1	2.1	--	--	--	0.0		
Difference:					4.6	4.6	4.6	--	--	--	0.0		
<b>Stockbridge RE III<sup>3</sup></b>	\$45,000	Value-Added Pvt. RE	\$ 35,878,361	1.0%	4.4	4.4	4.4	8.1	--	--	2.8	Jul-18	
NCREIF ODCE + 1% Lag Blend					2.1	2.1	2.1	4.4	8.2	9.5	7.8		
Difference:					2.3	2.3	2.3	3.7	--	--	-5.0		
<b>Traditional Growth<sup>2</sup></b>			\$ 1,437,389,529	38.4%	32.0%	1.8	9.6	12.4	40.6	11.3	13.0	9.6	Jan-95
MSCI ACWI IMI Net					1.5	8.6	11.3	43.7	14.9	15.1	8.4		
Difference:					0.3	1.0	1.1	-3.1	-3.6	-2.1	1.2		
<b>Global Equity</b>			\$ 1,391,250,053	37.1%									
<b>Northern Trust MSCI World IMI</b>		All Cap Global	\$ 1,240,104,979	33.1%	1.6	9.7	12.1	--	--	--	25.0	Sep-20	
MSCI World IMI Net					1.4	9.3	11.8	--	--	--	24.4		
Difference:					0.2	0.4	0.3	--	--	--	0.6		
<b>SJCERA Transition</b>		All Cap Global	\$ 3,507	0.0%	NM	NM	NM	--	--	--	NM	Jul-20	
<b>Emerging Markets</b>													
<b>GQG Active Emerging Markets</b>		Emerging Markets	\$ 69,229,431	1.8%	4.7	2.5	4.8	--	--	--	24.3	Aug-20	
MSCI Emerging Markets Index Net					2.3	3.3	7.3	--	--	--	29.1		
Difference:					2.4	-0.8	-2.5	--	--	--	-4.8		
<b>PIMCO RAE Fundamental Emerging Markets</b>		Emerging Markets	\$ 81,912,136	2.2%	3.3	11.8	20.6	65.3	7.5	14.4	6.0	Apr-07	
MSCI Emerging Markets Index					2.3	3.3	7.4	51.5	10.0	14.3	5.6		
Difference:					1.0	8.5	13.2	13.8	-2.5	0.1	0.4		
<b>REITS</b>													
<b>Invesco All Equity REIT</b>		Core US REIT	\$ 46,139,476	1.2%	1.1	15.0	18.6	26.5	10.2	7.7	9.3	Aug-04	
FTSE NAREIT Equity Index			\$ 46,139,476	1.2%	1.0	14.2	18.8	38.6	10.7	7.2	9.0		
Difference:					0.1	0.8	-0.2	-12.1	-0.5	0.5	0.3		

<sup>1</sup>Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

<sup>2</sup>MSCI ACWI IMI Net as of 4/1/2020, MSCI ACWI Gross prior.

<sup>3</sup>Manager returns are as of 3/31/21, and lagged 1 quarter. Since Inception date reflects one quarter lag.

NM = Returns not meaningful

# San Joaquin County Employees Retirement Association (SJCERA)

## Preliminary Monthly Flash Report (Net)

May 2021

Commitment (\$000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
<b>Stabilized Growth</b>		\$ 1,126,996,838	30.1%	33.0%	1.2	4.0	3.0	11.7	7.4	7.3	4.0	Jan-05
<b>Risk Parity</b>		\$ 427,251,473	11.4%		3.1	7.4	4.4	21.4	9.2	8.9	5.2	
<i>T-Bill +4%</i>					0.3	1.0	1.7	4.1	5.5	5.2	4.6	
Difference:					2.8	6.4	2.7	17.3	3.7	3.7	0.6	
<b>Bridgewater All Weather</b>	<i>Risk Parity</i>	\$ 209,218,363	5.6%		3.6	8.2	5.0	20.6	8.3	8.4	5.8	Mar-12
<i>T-Bill +4%</i>					0.3	1.0	1.7	4.1	5.5	5.2	5.5	
Difference:					3.3	7.2	3.3	16.5	2.8	3.2	0.3	
<b>PanAgora Diversified Risk Multi-Asset</b>	<i>Risk Parity</i>	\$ 218,033,110	5.8%		2.7	6.7	3.8	22.1	10.1	--	9.2	Apr-16
<i>T-Bill +4%</i>					0.3	1.0	1.7	4.1	5.5	--	5.2	
Difference:					2.4	5.7	2.1	18.0	4.6	--	4.0	
<b>Liquid Credit</b>		\$ 234,970,953	6.3%		0.4	1.2	1.6	11.7	4.3	4.4	2.3	Oct-06
<i>50% BB High Yield, 50% S&amp;P/LSTA Leveraged Loans</i>					0.4	1.3	2.6	13.7	5.7	6.2	6.0	
Difference:					0.0	-0.1	-1.0	-2.0	-1.4	-1.8	-3.7	
<b>Neuberger Berman</b>	<i>Global Credit</i>	\$ 105,381,974	2.8%		0.6	1.6	1.5	13.0	--	--	6.3	Feb-19
<i>33% ICE BofA HY Constrained, 33% S&amp;P/LSTA LL, 33% JPM EMBI Gbl Div.</i>					0.6	1.7	1.3	12.6	--	--	6.2	
Difference:					0.0	-0.1	0.2	0.4	--	--	0.1	
<b>Stone Harbor Absolute Return</b>	<i>Absolute Return</i>	\$ 129,588,979	3.5%		0.2	0.9	1.7	10.8	3.7	4.0	3.0	Oct-06
<i>3-Month Libor Total Return</i>					0.0	0.1	0.1	0.3	1.7	1.5	1.4	
Difference:					0.2	0.8	1.6	10.5	2.0	2.5	1.6	
<b>Private Credit Lag<sup>2</sup></b>		\$ 301,861,330	8.1%		2.0	2.0	2.0	2.6	2.7	2.8	3.3	
<i>50% BB High Yield, 50% S&amp;P/LSTA Leveraged Loans</i>					1.6	5.1	5.1	5.1	5.1	6.9	6.0	
Difference:					0.4	-3.1	-3.1	-2.5	-2.4	-4.1	-2.7	
<b>BlackRock Direct Lending Lag<sup>3</sup></b>	<i>Direct Lending</i>	\$100,000	0.6%		2.5	2.5	2.5		--	--	9.9	May-20
<i>CPI +6% Annual Blend<sup>5</sup></i>					0.6	1.5	1.5		--	--	17.2	
Difference:					1.9	1.0	1.0		--	--	-7.3	
<b>Mesa West RE Income III Lag<sup>3</sup></b>	<i>Comm. Mortgage</i>	\$45,000	0.0%		-11.0	-11.0	-11.0	-14.7	-0.1	3.6	3.1	Sep-13
<i>CPI +6% Annual Blend<sup>4</sup></i>					0.6	1.5	1.5	7.4	7.8	8.3	5.6	
Difference:					-11.6	-12.5	-12.5	-22.1	-7.9	-4.7	-2.5	
<b>Mesa West RE Income IV Lag<sup>3</sup></b>	<i>Comm. Mortgage</i>	\$75,000	1.2%		1.0	1.0	1.0	6.6	7.6	--	7.3	Mar-17
<i>CPI +6% Annual Blend<sup>4</sup></i>					0.6	1.5	1.5	7.4	7.8	--	8.6	
Difference:					0.4	-0.5	-0.5	-0.8	-0.2	--	-1.3	
<b>Crestline Opportunity II Lag<sup>3</sup></b>	<i>Opportunistic</i>	\$45,000	0.5%		0.6	0.6	0.6	-4.4	-2.3	2.2	3.9	Nov-13
<i>CPI +6% Annual Blend<sup>4</sup></i>					0.6	1.5	1.5	7.4	7.8	8.3	8.5	
Difference:					0.0	-0.9	-0.9	-11.8	-10.1	-6.1	-4.6	
<b>Davidson Kempner Distr Opp V Lag<sup>3</sup></b>	<i>Opportunistic</i>	\$50,000	0.0%		8.3	--	--	--	--	--	31.1	Oct-20
<i>CPI +6% Annual Blend<sup>4</sup></i>					0.6	--	--	--	--	--	4.0	
Difference:					7.7	--	--	--	--	--	27.1	
<b>Oaktree Lag</b>	<i>Leveraged Direct</i>	\$50,000	0.7%		3.7	3.7	3.7	16.0	--	--	9.6	Mar-18
<i>CPI +6% Annual Blend<sup>6</sup></i>					0.6	1.5	1.5	4.9	--	--	8.0	
Difference:					3.1	2.2	2.2	11.1	--	--	1.6	
<b>HPS EU Asset Value II Lag<sup>3</sup></b>	<i>Direct Lending</i>	\$50,000	0.1%		3.0	3.0	--	--	--	--	-4.1	Aug-20
<i>CPI +6% Annual Blend<sup>4</sup></i>					0.6	1.5	--	--	--	--	5.6	
Difference:					2.4	1.5	--	--	--	--	-9.7	
<b>Raven Opportunity II Lag<sup>3</sup></b>	<i>Direct Lending</i>	\$45,000	0.3%		-0.4	-0.4	-0.4	-13.1	-3.2	-3.2	-4.6	Aug-14
<i>CPI +6% Annual Blend<sup>4</sup></i>					0.6	1.5	1.5	7.4	7.8	8.3	8.4	
Difference:					-1.0	-1.9	-1.9	-20.5	-11.0	-11.5	-13.0	
<b>Raven Opportunity III Lag<sup>3</sup></b>	<i>Direct Lending</i>	\$50,000	1.3%		2.8	2.8	2.8	1.1	6.8	--	2.2	Nov-15
<i>CPI +6% Annual Blend<sup>4</sup></i>					0.6	1.5	1.5	7.4	7.8	--	8.3	
Difference:					2.2	1.3	1.3	-6.3	-1.0	--	-6.1	

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<sup>3</sup>Manager returns are as of 3/31/21, and lagged 1 quarter. Since Inception date reflects one quarter lag.

<sup>4</sup>9% Annual until 7/1/2018 then CPI +6% Annual thereafter.

<sup>5</sup>50% BBGBC High Yield/50% S&P Leveraged Loan until 12/31/20 then CPI +6% Annual thereafter. Benchmark lagged one quarter.

<sup>6</sup>MSCI ACWI + 2% until 12/31/20 then CPI +6% Annual thereafter. Benchmark lagged one quarter.

# San Joaquin County Employees Retirement Association (SJCERA)

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May 2021

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<b>Private Credit Lag (continued)</b>													
<b>Medley Opportunity II Lag<sup>3</sup></b>	\$50,000	Direct Lending	\$ 9,519,500	0.3%	4.1	4.1	4.1	-14.2	-13.3	-7.7	-1.9	Jul-12	
<i>CPI +6% Annual Blend<sup>4</sup></i>					0.6	1.5	1.5	7.4	7.8	8.3	8.6		
Difference:					3.5	2.6	2.6	-21.6	-21.1	-16.0	-10.5		
<b>White Oak Summit Peer Fund Lag<sup>3</sup></b>	\$50,000	Direct Lending	\$ 45,721,443	1.2%	1.8	1.8	1.8	4.1	6.3	--	7.1	Mar-16	
<i>CPI +6% Annual Blend<sup>4</sup></i>					0.6	1.5	1.5	7.4	7.8	--	8.2		
Difference:					1.2	0.3	0.3	-3.3	-1.5	--	-1.1		
<b>White Oak Yield Spectrum Master V Lag<sup>3</sup></b>	\$50,000	Direct Lending	\$ 49,802,315	1.3%	1.5	1.5	---	---	---	--	-0.3	Mar-20	
<i>CPI +6% Annual Blend<sup>4</sup></i>					0.6	1.5	---	---	---	--	7.2		
Difference:					0.9	0.0	---	---	---	--	-7.5		
<b>Principal US<sup>3</sup></b>	\$25,000	Core Pvt. RE	\$ 34,326,840	0.9%	1.7	1.7	1.7	0.6	4.9	6.3	7.0	Jan-16	
<i>NCREIF ODCE + 1% Lag Blend</i>					2.1	2.1	2.1	4.4	8.2	9.5	9.9		
Difference:					-0.4	-0.4	-0.4	-3.8	-3.3	-3.2	-2.9		
<b>Prologis Logistics<sup>3</sup></b>	\$35,000	Core Pvt. RE	\$ 78,473,587	2.1%	6.6	6.6	6.6	10.6	14.6	15.7	6.7	Dec-07	
<i>NCREIF ODCE + 1% Lag Blend</i>					2.1	2.1	2.1	4.4	8.2	9.5	8.5		
Difference:					4.5	4.5	4.5	6.2	6.4	6.2	-1.8		
<b>RREEF America II<sup>3</sup></b>	\$45,000	Core Pvt. RE	\$ 50,112,656	1.3%	0.8	0.8	0.8	1.7	5.1	--	6.5	Jul-16	
<i>NCREIF ODCE + 1% Lag Blend</i>					2.1	2.1	2.1	4.4	8.2	9.5	9.3		
Difference:					-1.3	-1.3	-1.3	-2.7	-3.1	--	-2.8		
<b>Diversifying Strategies</b>			\$ 787,749,933	21.0%	25.0%	0.2	1.2	0.2	-1.2	4.2	2.8	6.4	Oct-90
<b>Principal Protection</b>			\$ 327,820,981	8.7%	10.0%	0.3	0.5	-0.5	1.4	3.9	3.8	6.4	Oct-90
<i>BB Aggregate Bond Index</i>					0.3	-0.1	-2.3	-0.4	5.1	3.2	6.0		
Difference:					0.0	0.6	1.8	1.8	-1.2	0.6	0.4		
<b>Dodge &amp; Cox</b>		Core Fixed Income	\$ 166,181,991	4.4%	0.3	0.6	-1.3	4.0	6.2	4.9	7.2	Oct-90	
<i>BB Aggregate Bond Index</i>					0.3	-0.1	-2.3	-0.4	5.1	3.2	6.0		
Difference:					0.0	0.7	1.0	4.4	1.1	1.7	1.2		
<b>DoubleLine Capital</b>		MBS	\$ 112,717,569	3.0%	0.4	0.7	1.3	6.2	4.5	4.0	5.1	Feb-12	
<i>BB Aggregate Bond Index</i>					0.3	-0.1	-2.3	-0.4	5.1	3.2	2.9		
Difference:					0.1	0.8	3.6	6.6	-0.6	0.8	2.2		
<b>SJ Principal Protection</b>		Int Core Bond ETF	\$ 48,921,421	1.3%	0.2	-0.3	---	---	---	---	---	Jan-21	
<i>BB Aggregate Bond Index</i>					0.3	-0.1	---	---	---	---	---		
Difference:					-0.1	-0.2	---	---	---	---	---		

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<sup>4</sup>9% Annual until 7/1/2018 then CPI +6% Annual thereafter.

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<b>Crisis Risk Offset</b>		\$ 459,928,952	12.3%	15.0%	0.1	1.7	0.7	-3.0	4.1	2.2	6.5	Jan-05
<i>CRO Custom Benchmark<sup>2</sup></i>					0.9	1.4	-0.8	1.7	6.2	3.7	5.4	
Difference:					-0.8	0.3	1.5	-4.7	-2.1	-1.5	1.1	
<b>Long Duration</b>		\$ 145,736,094	3.9%		0.0	-2.5	-10.6	-12.5	6.6	--	3.1	
<i>BB US Long Duration Treasuries</i>					0.5	-2.3	-11.1	-13.6	6.8	--	4.0	
Difference:					-0.5	-0.2	0.5	1.1	-0.2	--	-0.9	
<b>Dodge &amp; Cox Long Duration</b>	Long Duration	\$ 145,736,094	3.9%		0.0	-2.5	-10.6	-12.5	6.6	--	3.1	Feb-16
<i>BB US Long Duration Treasuries</i>					0.5	-2.3	-11.1	-13.6	6.8	--	4.0	
Difference:					-0.5	-0.2	0.5	1.1	-0.2	--	-0.9	
<b>Systematic Trend Following</b>		\$ 193,864,376	5.2%		0.7	6.0	13.5	23.6	6.8	1.3	8.7	
<i>BTOP50 Index</i>					2.0	5.3	7.2	15.2	6.2	2.0	4.6	
Difference:					-1.3	0.7	6.3	8.4	0.6	-0.7	4.1	
<b>Mt. Lucas Managed Futures - Cash</b>	Systematic Trend Following	\$ 99,549,795	2.7%		0.6	6.1	18.2	28.7	7.1	-0.3	8.1	Jan-05
<i>BTOP50 Index</i>					2.0	5.3	7.2	15.2	6.2	2.0	4.6	
Difference:					-1.4	0.8	11.0	13.5	0.9	-2.3	3.5	
<b>Graham Tactical Trend</b>	Systematic Trend Following	\$ 94,314,581	2.5%		0.9	6.0	8.9	18.7	6.4	--	1.7	Apr-16
<i>SG Trend Index</i>					2.7	6.8	9.8	15.7	8.1	--	1.9	
Difference:					-1.8	-0.8	-0.9	3.0	-1.7	--	-0.2	
<b>Alternative Risk Premia</b>		\$ 120,328,482	3.2%		-0.9	0.2	-2.2	-20.2	-3.3	-0.3	6.9	
<i>5% Annual</i>					0.4	1.2	2.1	5.0	5.0	5.0	6.4	
Difference:					-1.3	-1.0	-4.3	-25.2	-8.3	-5.3	0.5	
<b>AQR Style Premia</b>	Alternative Risk Premia	\$ 29,521,434	0.8%		1.4	11.2	21.1	10.9	-10.6	--	-4.8	May-16
<i>5% Annual</i>					0.4	1.2	2.1	5.0	5.0	--	5.0	
Difference:					1.0	10.0	19.0	5.9	-15.6	--	-9.8	
<b>PE Diversified Global Macro</b>	Alternative Risk Premia	\$ 32,421,302	0.9%		-4.5	-10.3	-13.0	-41.8	-6.8	--	-4.8	Jun-16
<i>5% Annual</i>					0.4	1.2	2.1	5.0	5.0	--	5.0	
Difference:					-4.9	-11.5	-15.1	-46.8	-11.8	--	-9.8	
<b>Lombard Odier</b>	Alternative Risk Premia	\$ 58,385,746	1.6%		0.1	1.7	-4.9	-14.7	--	--	-5.0	Jan-19
<i>5% Annual</i>					0.4	1.2	2.1	5.0	--	--	5.0	
Difference:					-0.3	0.5	-7.0	-19.7	--	--	-10.0	
<b>Cash<sup>3</sup></b>		\$ 83,183,188	2.2%	0.0%	0.0	0.0	0.1	0.2	0.9	0.9	2.4	Sep-94
<i>US T-Bills</i>					0.0	0.0	0.0	0.1	1.4	1.2	2.4	
Difference:					0.0	0.0	0.1	0.1	-0.5	-0.3	0.0	
<b>Northern Trust STIF</b>	Collective Govt. Short Term	\$ 73,740,729	2.0%		0.0	0.0	0.1	0.2	1.0	0.9	2.6	Jan-95
<i>US T-Bills</i>					0.0	0.0	0.0	0.1	1.4	1.2	2.4	
Difference:					0.0	0.0	0.1	0.1	-0.4	-0.3	0.2	
<b>Parametric Overlay<sup>4</sup></b>	Cash Overlay	\$ 49,866,871	1.3%		0.0	0.0	0.0	--	--	--	0.0	Jan-20

<sup>1</sup>Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

<sup>2</sup>Benchmark is (1/3) BB Long Duration Treasuries, (1/3) BTOP50 Index, (1/3) 5% Annual.

<sup>3</sup>Includes lagged cash.

<sup>5</sup>60% MSCI ACWI, 40% BB Universal

<sup>4</sup>Given daily cash movement returns may vary from those shown above.

## Economic and Market Update

Data as of May 31, 2021

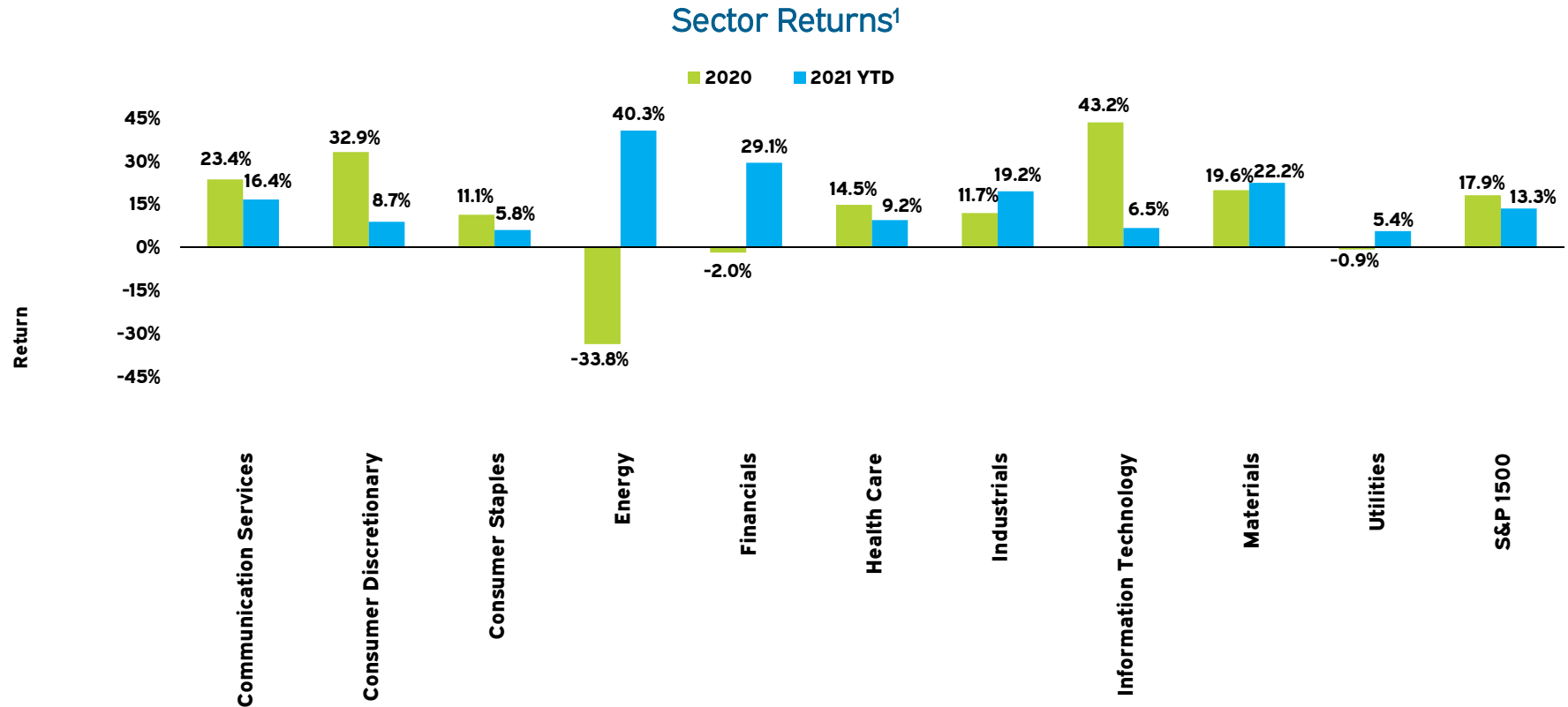


### Market Returns<sup>1</sup>

Indices	May	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	0.7%	12.6%	40.3%	18.0%	17.2%	14.4%
MSCI EAFE	3.3%	10.1%	38.4%	8.2%	9.8%	5.9%
MSCI Emerging Markets	2.3%	7.3%	51.0%	9.7%	13.9%	4.1%
MSCI China	0.8%	1.7%	38.7%	8.4%	16.8%	7.3%
Bloomberg Barclays Aggregate	0.3%	-2.3%	-0.4%	5.1%	3.3%	3.3%
Bloomberg Barclays TIPS	1.2%	1.1%	7.1%	6.5%	4.5%	3.4%
Bloomberg Barclays High Yield	0.3%	2.3%	15.0%	7.1%	7.4%	6.4%
10-year US Treasury	0.6%	-5.4%	-7.1%	5.4%	2.2%	3.5%
30-year US Treasury	0.7%	-13.0%	-17.4%	6.7%	3.4%	6.3%

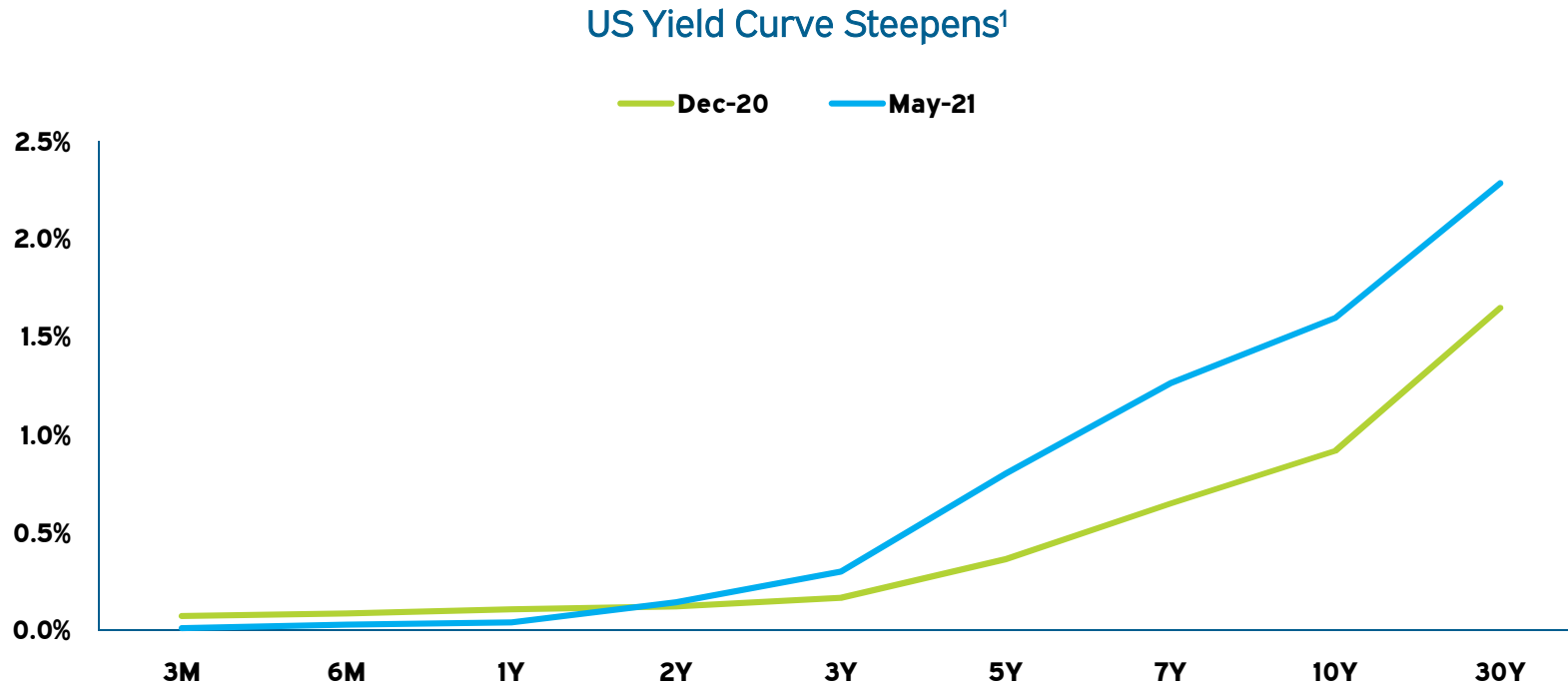
- So far this year, global risk assets continue to rise, leading to significant gains over the trailing year. This has largely been driven by record fiscal and monetary policy stimulus and positive developments with the COVID-19 vaccine. US Treasuries have not fared as well, given the rise in interest rates driven by inflationary fears.
- In May, Treasury yields declined as the Federal Reserve maintained its position that inflation will be transitory. TIPS moved into positive territory for the year, helped by fears of rising prices.
- Equity markets rose in May with international markets leading the way, partly driven by a weakening US dollar.

<sup>1</sup> Source: Investment Metrics and Bloomberg. Data is as of May 31, 2021.



- Cyclical sectors like energy and financials continue to lead the way in 2021, as some investors rotate out of stay-at-home focused companies in the technology sector.
- The rotation into value stocks has largely been driven by expectations for the economy to reopen, potentially higher taxes, and rising interest rates. Growth stocks typically produce more of their cash flows further into the future and increased interest rates lead to larger discounts, reducing present values.

<sup>1</sup> Source: Bloomberg. Data is as of May 31, 2021.

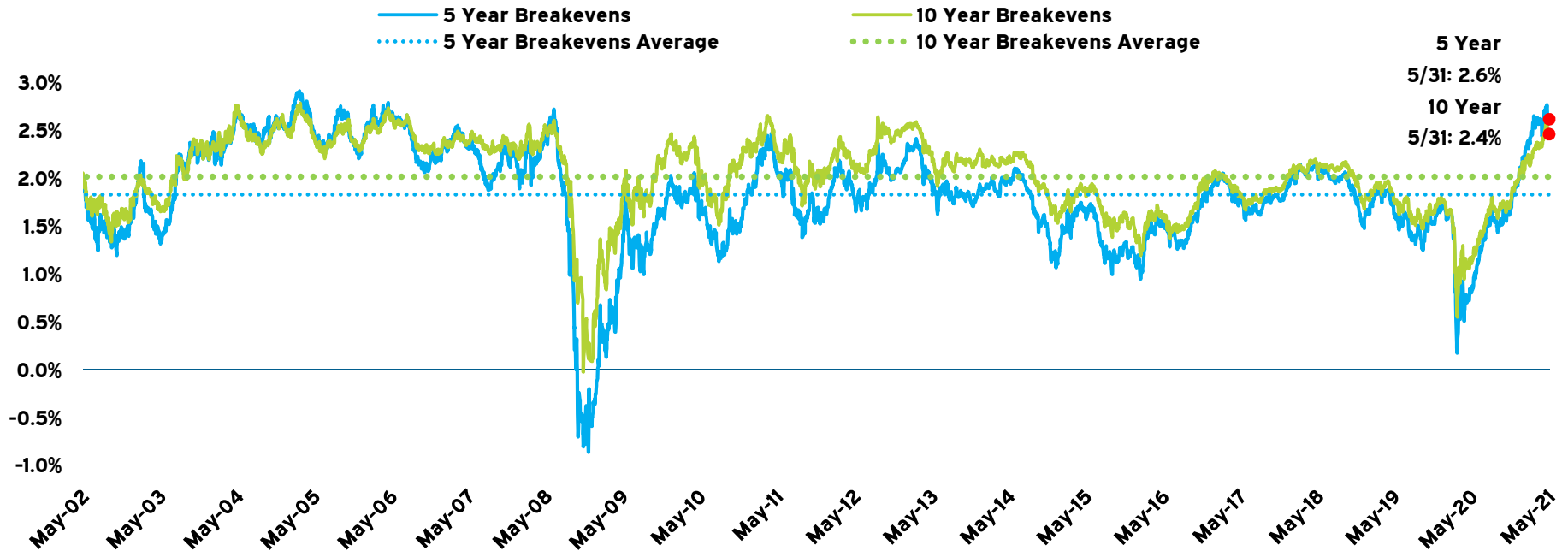


- Thus far in 2021, the yield curve steepened on inflation fears related to gradual signs of economic improvement and developments with the vaccine.
- Shorter-dated rates have largely not moved given Fed policy, while longer-dated rates may continue to steepen if growth and inflation pressures build beyond current expectations.
- Alternatively, the yield curve could decline if the economy starts to weaken or if economic progress is simply accelerated versus the prior expectations.

<sup>1</sup> Source: Bloomberg. Data is as of May 31, 2021.



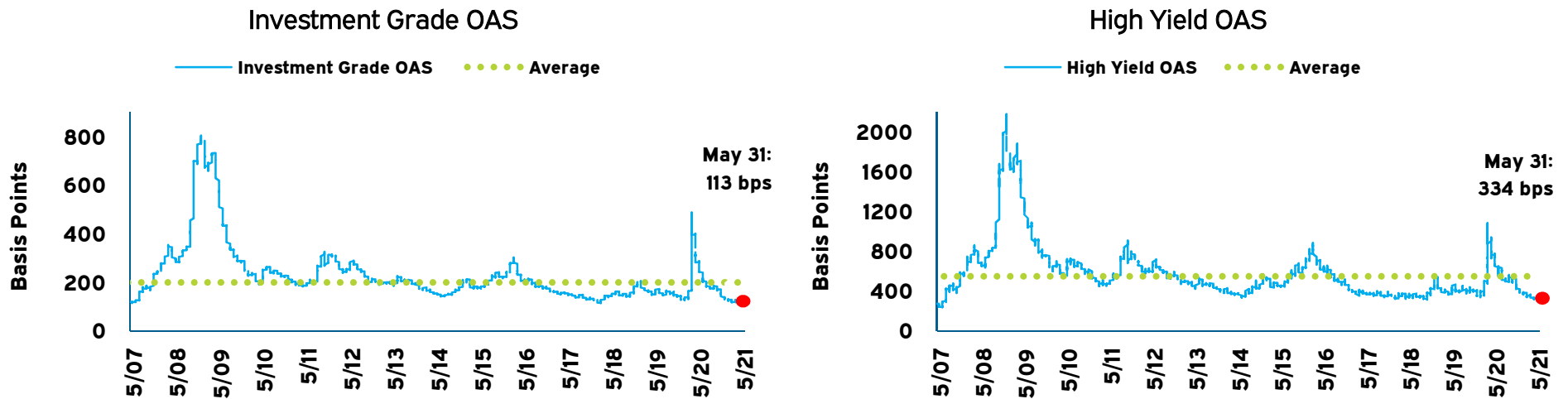
### Breakeven Inflation<sup>1</sup>



- Inflation expectations remain well above long-term averages, with the vaccine roll-out, rising raw material prices, and expected additional fiscal stimulus as key drivers.
- Looking forward, the track of economic growth and the inflationary effects of the unprecedented US fiscal response will be key issues. Additionally, changes to Fed policy focused on an average inflation target may play a role in the inflation market dynamics.

<sup>1</sup> Source: Bloomberg. Data is as of May 31, 2021.

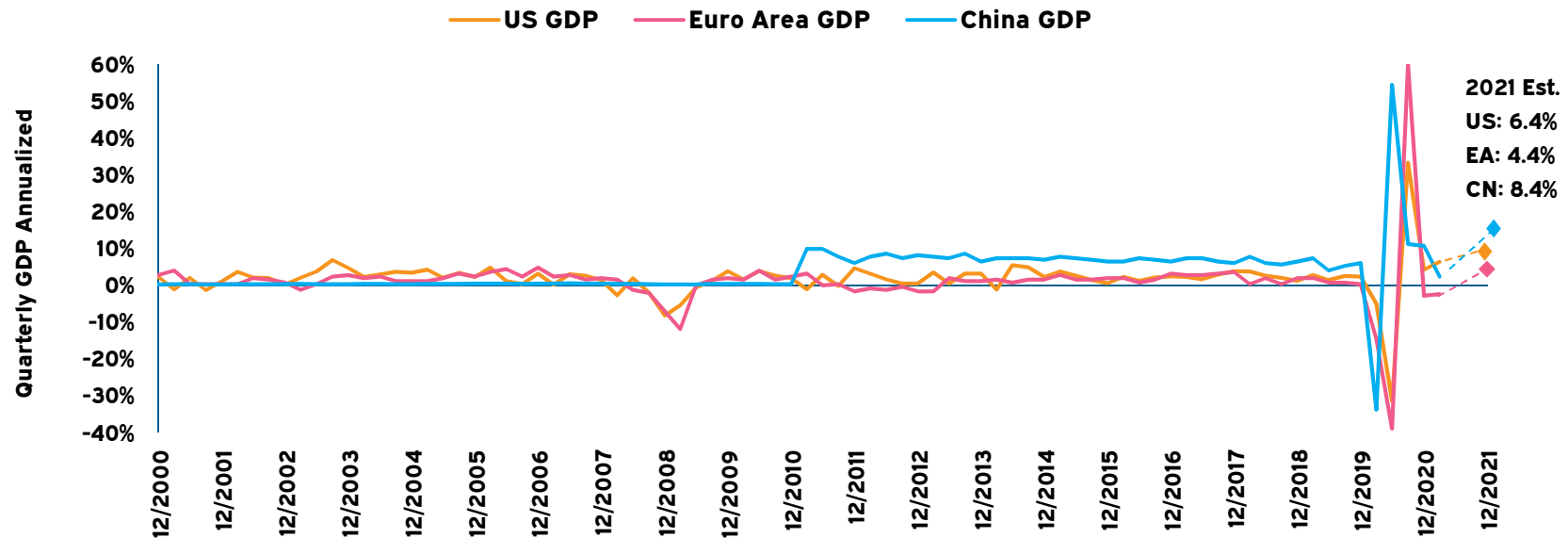
### Credit Spreads (High Yield & Investment Grade)<sup>1</sup>



- Credit spreads (the spread above a comparable maturity Treasury) for investment-grade and high yield corporate debt widened sharply at the start of the pandemic as investors sought safety.
- Policy support and the search for yield in a low rate environment led to a decline in credit spreads to below long-term averages, particularly for high yield.

<sup>1</sup> Source: FRED Economic Data. Investment grade represents ICE BofA BBB US Corporate Index OAS. High Yield represents ICE BofA US High Yield Index OAS. Data is as of May 31, 2021.

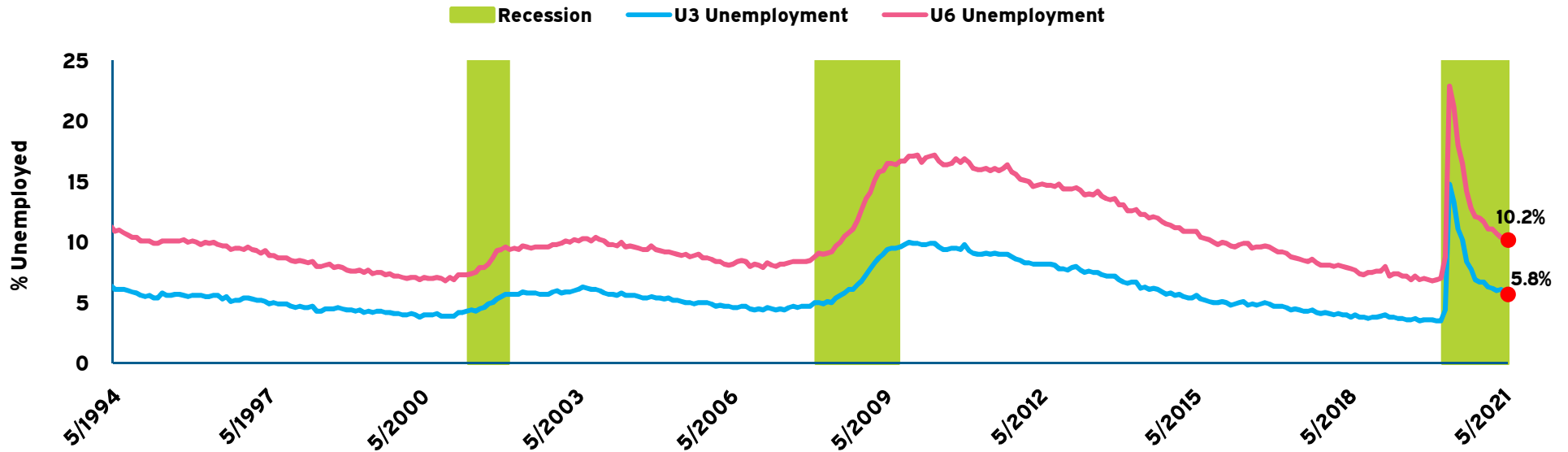
### GDP Data Shows Projected Improvements in 2021<sup>1</sup>



- Major economies experienced historic declines in growth during the second quarter of 2020, followed by record increases in the third quarter driven by pent-up demand from the lockdown measures earlier in the year.
- Looking forward, strong growth is expected in 2021 particularly for China, projected to grow at an impressive 8.4%, due in part to their ability to quickly control the virus and reopen their economy. The US is expected to grow faster than the euro area this year, helped by vaccine distribution.

<sup>1</sup> Source: Bloomberg, and IMF; Euro Area and China figures annualized by Meketa. Projections via April 2021 IMF World Economic Outlook and represent annual numbers.

### US Unemployment<sup>1</sup>



- In May, the unemployment rate (U3) declined after rising slightly in April. It dropped from 6.1% to 5.8%.
- The broader measure of unemployment (U6) that includes discouraged and underemployed workers continues to decline but remains much higher at 10.2%.
- Pandemic related concerns, childcare issues, and a mismatch of skills and available jobs have all contributed to slack in the labor market.

<sup>1</sup> Source: Bloomberg. Data is as of May 31, 2021. Bars represent recessions as observed by the National Bureau of Economic Research.

### Disclaimers

These materials are intended solely for the recipient and may contain information that is not suitable for all investors. This presentation is provided by Meketa Investment Group (“Meketa”) for informational purposes only and no statement is to be construed as a solicitation or offer to buy or sell a security, or the rendering of personalized investment advice. There is no agreement or understanding that Meketa will provide individual advice to any advisory client in receipt of this document. There can be no assurance the views and opinions expressed herein will come to pass. Any data and/or graphics presented herein is obtained from what are considered reliable sources; however, its delivery does not warrant that the information contained is correct. Any reference to a market index is included for illustrative purposes only, as an index is not a security in which an investment can be made and are provided for informational purposes only. For additional information about Meketa, please consult the Firm’s Form ADV disclosure documents, the most recent versions of which are available on the SEC’s Investment Adviser Public Disclosure website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)) and may otherwise be made available upon written request.

# San Joaquin County Employees Retirement Association (SJCERA)

California Code 7514.7 Disclosure – Calendar year 2020

July 2021

- California Assembly Bill 2833 was introduced in 2016 and became effective January 1, 2017 as California Government Code 7514.7 (the “Code”).
- The Code is intended to require California public pension plans (“California Plans”) to obtain and publicly disclose annually certain additional fee and expense data and information.
- The law applies to any private fund that is an alternative investment vehicle whose contract with a California Plan 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.
- For all other existing contracts, California Plans are required to use reasonable efforts to acquire the information necessary to make the required annual disclosures.

### Code Disclosure Requirements

1. The fees and expenses that the California Plan pays directly to the alternative investment vehicle, the fund manager, or related parties.
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.
3. The California Plan's pro rata share of carried interest distributed to the fund manager or related parties.
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.
5. Any additional information described in subdivision (b) of Section 6254.26 of the Code.
  - (b) Every California Plan shall disclose the information provided pursuant to subdivision (a) at least once annually in a report presented at a meeting open to the public. The California Plan's report required pursuant to this subdivision shall also include the gross and net rate of return of each alternative investment vehicle, since inception, in which the California Plan participates. The California Plan may report the gross and net rate of return and information required by subdivision (a) based on its own calculations or based on calculations provided by the alternative investment vehicle.



**Code Section 6254.26 Requirements:**

1. The name, address, and vintage year of each alternative investment vehicle.
2. The dollar amount of the commitment made to each alternative investment vehicle by the California Plan since inception.
3. The dollar amount of cash contributions made by the California Plan to each alternative investment vehicle since inception.
4. The dollar amount, on a fiscal year-end basis, of cash distributions received by the California Plan from each alternative investment vehicle.
5. The dollar amount, on a fiscal year-end basis, of cash distributions received by the California Plan plus remaining value of partnership assets attributable to the California Plan's investment in each alternative investment vehicle.
6. The net internal rate of return of each alternative investment vehicle since inception.
7. The investment multiple of each alternative investment vehicle since inception.
8. The dollar amount of the total management fees and costs paid on an annual fiscal year-end basis, by the California Plan to each alternative investment vehicle.
9. The dollar amount of cash profit received by California Plans from each alternative investment vehicle on a fiscal year-end basis.

## **Alternative Investments - Private Equity, Private Credit and Private Real Estate**

### Code 7514.7 Disclosure Requirement: 2020 Calendar Year Data

Partnerships - Firm Name	Commitment (\$)	Ending Market Value, Net (\$)	Mgmt. Fee (\$)	Partnership Expenses (\$)	Offsets Paid (Received) (\$)	Other Fees & Exp.s paid to the GP (\$)	Carried Interest Paid (Rec.d) (\$)	Fees & Exp.s Paid to Affiliates (\$)	Fees Paid to Underlying Funds / Co.s (\$)	Total Fees Paid (\$)
Almanac VI	30,000,000	3,574,816	44,683	3,424	--	--	(755,623)	--	--	(707,516)
AG Core Plus IV	20,000,000	20,612,416	264,911	46,807	(942)	--	(186,076)	--	--	124,700
Berkeley Ptr.s V	40,000,000	3,034,692	287,671	75,426	--	24	--	--	--	363,121
Blackrock - Direct Lending	100,000,000	28,523,103	190,382	479,098	--	--	268,783	--	--	938,263
BlackRock - Power and Energy	50,000,000	14,250,572	500,611	63,445	38,448	--	41,184	--	(45,483)	598,205
Crestline Fund II	45,000,000	19,879,050	170,438	47,069	--	--	(30,111)	--	--	187,396
Davidson Kemp. V	50,000,000	9,040,182	515,825	--	--	5,244	--	--	--	521,069
Greenfield V *	30,000,000	227,471	--	5,082	--	166	(20,746)	--	162	(15,336)
Greenfield VI *	20,000,000	172,521	22,776	12,117	--	313	(32,818)	--	146	2,534
Greenfield VII *	19,122,340	9,627,532	268,590	56,506	--	1,856	115,145	--	878	442,975
Grandview VIII *	30,000,000	19,232,146	376,028	117,533	--	27,415	683,522	--	3,704	1,208,202
HPS EU Value II	50,000,000	5,572,982	53,225	64,935	--	--	--	--	--	118,160
Medley Fund II	50,000,000	11,154,548	135,739	122,826	(32,449)	--	--	--	--	226,116
Mesa West III	45,000,000	1,926,744	--	10,708	--	--	(82,766)	--	--	(72,058)
Mesa West IV	75,000,000	45,900,519	601,829	179,751	--	84,226	(607)	--	--	865,199
Miller Global VI *	30,000,000	392,542	35,568	223,559	--	10,402	--	--	--	269,529
Miller Global VII *	15,000,000	273,461	17,937	31,233	--	4,040	11,239	--	--	64,449
Morgan Creek III	10,000,000	7,899,653	74,211	86,600	--	--	--	--	--	160,811
Morgan Creek V	12,000,000	12,099,794	29,322	53,682	--	--	--	--	--	83,004
Morgan Creek VI	20,000,000	26,721,827	78,736	29,676	--	--	(601,276)	--	--	(492,864)
Oaktree **	50,000,000	28,553,995	153,353	106,410	(869)	9,448	--	--	(3,001)	265,341
Ocean Avenue II	40,000,000	40,855,968	314,454	50,436	--	--	932,934	--	--	1,297,824
Ocean Avenue III	50,000,000	53,593,391	375,000	81,006	--	--	564,828	--	--	1,020,834
Ocean Avenue IV	50,000,000	24,059,249	625,000	71,284	--	--	527,305	--	--	1,223,589
Principal	25,000,000	34,326,840	323,684	13,010	--	--	--	--	--	336,694
Prologis	49,551,292	78,473,587	349,599	56,019	--	--	523,181	--	--	928,799
Raven II *	45,000,000	11,743,981	119,123	87,948	--	--	--	--	--	207,071
Raven III *	50,000,000	48,013,572	691,713	303,532	--	--	--	--	--	995,245
RREEF II **	45,000,000	50,112,656	482,706	--	--	--	--	--	--	482,706
Stockbridge III	45,000,000	35,878,361	478,966	58,385	--	--	--	--	3,718	541,069
Walton Street V	30,000,000	2,100,000	--	--	--	--	--	--	--	--
Walton Street VI	15,000,000	4,695,403	52,555	--	--	--	9,518	--	--	62,073
White Oak - Summit	50,000,000	46,190,005	463,383	140,586	--	25,000	(838,588)	--	14,275	(195,344)
White Oak - Yield	50,000,000	49,045,875	376,640	(17,750)	--	--	172,200	--	--	531,090

\* Manager responses are not required for real estate accounts invested in prior to 2019, therefore we relied on capital statements previously provided.

\*\* Data provided by managers is for YTD as of March 31, 2021.

### Code Section 6254.26 Disclosure Requirement: Since Inception Date

Partnerships - Firm Name	Address (City, State)	Vintage	Commitment (\$)	Contributions (\$)	Distributions (\$)	Ending Market Value (\$)	Since Inception - IRR (%) *	Net Equity Multiple - TVPI *
Almanac VI	New York, NY	2011	30,000,000	19,100,000	21,000,000	3,600,000	9.6	1.3
AG Core Plus IV	New York, NY	2015	20,000,000	19,000,000	3,300,000	20,600,000	7.8	1.3
Berkeley Ptr.s V	San Francisco, CA	2020	40,000,000	2,900,000	--	3,000,000	22.9	1.0
Blackrock - Direct Lending	New York, NY	2020	100,000,000	27,000,000	--	28,523,103	10.4	1.1
BlackRock - Power and Energy	New York, NY	2019	50,000,000	7,424,526	2,145,180	14,250,572	(2.1)	1.1
Crestline Fund II	Dallas, TX	2013	45,000,000	32,440,403	20,337,247	19,879,050	5.9	1.3
Davidson Kemp. V	New York, NY	2020	50,000,000	7,766,180	--	9,040,182	56.1	1.2
Greenfield V *	Westport, CT	2007	30,000,000	29,600,000	40,400,000	227,471	8.3	1.4
Greenfield VI *	Westport, CT	2011	20,000,000	19,200,000	26,100,000	172,521	9.7	1.4
Greenfield VII *	Westport, CT	2013	19,122,340	18,300,000	20,000,000	9,627,532	13.0	1.6
Greenfield VIII *	Westport, CT	2017	30,000,000	15,800,000	3,000,000	19,232,146	17.5	1.4
HPS EU Value II	New York, NY	2020	50,000,000	5,650,127	--	5,572,982	(8.8)	0.9
Medley Fund II	San Francisco, CA	2012	50,000,000	62,355,850	54,808,339	11,154,548	(1.8)	1.0
Mesa West III	Los Angeles, CA	2013	45,000,000	34,064,721	1,947,962	1,926,744	5.5	1.3
Mesa West IV	Los Angeles, CA	2016	75,000,000	45,000,000	6,976,519	45,900,519	2.6	1.2
Miller Global VI *	Denver, CO	2007	30,000,000	21,120,007	32,342,527	392,542	7.5	1.6
Miller Global VII *	Denver, CO	2012	15,000,000	12,013,590	15,898,891	273,461	14.8	1.4
Morgan Creek III	Raleigh, NC	2015	10,000,000	9,900,000	195,728	7,899,653	38.9	1.9
Morgan Creek V	Raleigh, NC	2013	12,000,000	11,520,000	5,203,843	12,099,794	16.5	2.1
Morgan Creek VI	Raleigh, NC	2015	20,000,000	18,200,000	1,729,404	26,721,827	75.0	2.6
Oaktree **	New York, NY	2018	50,000,000	31,600,000	6,842,518	28,553,995	7.6	1.2
Ocean Avenue II	Los Angeles, CA	2013	40,000,000	36,000,000	30,186,584	40,855,968	34.9	2.2
Ocean Avenue III	Los Angeles, CA	2016	50,000,000	44,000,000	18,500,000	53,593,391	53.8	2.2
Ocean Avenue IV	Los Angeles, CA	2019	50,000,000	18,500,000	--	24,059,249	6.7	1.2
Principal	Des Moines, IA	2015	25,000,000	25,000,000	--	34,326,840	6.1	1.4
Prologis	New York, NY	2004	52,454,101	52,454,101	18,064,552	78,473,587	6.0	1.9
Raven II *	Los Angeles, CA	2014	45,000,000	42,866,666	27,123,382	11,743,981	(4.3)	0.9
Raven III *	Los Angeles, CA	2015	50,000,000	50,000,000	16,326,055	48,013,572	1.6	1.1
RREF II **	San Francisco, CA	2002	45,000,000	45,000,000	7,000,000	50,112,656	5.9	1.3
Stockbridge III	San Francisco, CA	2017	45,000,000	36,006,338	2,485,085	35,878,361	4.5	1.1
Walton Street V	Chicago, IL	2005	30,000,000	30,000,000	20,100,000	2,100,000	(3.3)	0.7
Walton Street VI	Chicago, IL	2007	15,000,000	13,297,180	15,218,103	4,695,403	7.8	1.5
White Oak - Summit	San Francisco, CA	2016	50,000,000	67,589,518	33,313,091	46,190,005	3.4	1.2
White Oak - Yield	San Francisco, CA	2019	50,000,000	48,162,556	1,710,688	49,045,875	4.5	1.0

\* Data provided by MIG's Real Estate group or from MIG's internal system, Investment Metrics.

\*\* Data as of 3/31/2020.

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD - LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM," "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE" OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

## MEMORANDUM

**TO:** San Joaquin County Employees' Retirement Association (SJCERA)  
**FROM:** Meketa Investment Group (MIG)  
**DATE:** July 9, 2021  
**RE:** Active Core Fixed Income Manager Search

Meketa issued a Request for Proposal ("RFP") for this search and received responses from forty-seven Core Fixed Income Managers. Each of the responses was evaluated in detail to determine the most appropriate fit for SJCERA. The results of our review are listed on the following pages. A short list of managers was selected based on manager-specific attributes, both qualitative and quantitative, and complementary aspects of SJCERA's existing Core Fixed Income mandate with Dodge & Cox.

### Recommendation

Meketa recommends the following Core Fixed Income Managers as semi-finalists to be considered by SJCERA Investment Committee, based on our review of the managers' RFP responses.

#### Recommended Short List<sup>1</sup>

Manager	Headquarters	Strategy
Blackrock	New York, NY	Customized Core Bond
Capital Group	Los Angeles, CA	US Core Fixed Income
DoubleLine	Los Angeles, CA	Securitized Income Balanced
Federated Hermes	Pittsburgh, PA	Core Aggregate
FIAM	Smithfield, RI	Tactical Bond
Income Research & Management	Boston, MA	Aggregate Strategy
Invesco	Atlanta, GA	Core Fixed Income
JP Morgan	New York, NY	Core Bond
LM Capital	San Diego, CA	Strategic Core Fixed Income
Longfellow Investment Management	Boston, MA	Core Fixed Income
Loomis Sayles	Boston, MA	Core Disciplined Alpha
Lord Abbett	Jersey City, NJ	Core Fixed Income
MFS Investment Management	Boston, MA	US Core Fixed Income
Reams Asset Management	Columbus, IN	Core Fixed Income
TCW	Los Angeles, CA	Core Fixed Income
Wellington Management	Boston, MA	Core Bond

<sup>1</sup> In alphabetical order.

### Background

In the second quarter of 2021, an RFP was issued on behalf of SJCERA. As a result of the RFP, Meketa Investment Group received a total of 47 responses for the Core Fixed Income mandate. Meketa Investment Group evaluated the RFPs and analyzed performance, risk data, and other qualitative factors from each of the responding firms. Based on both qualitative and quantitative analysis, Meketa Investment Group narrowed the field to a recommended short list of sixteen managers.

### Manager Search Process

Meketa Investment Group received responses from the 47 firms listed in the table below.

SJCERA Core Fixed Income Manager Search Respondents	
Amundi	MetLife
Attucks Asset Management	MFS Investment Management
Blackrock	Mondrian
C.S. McKee	Neuberger Berman
Capital Group	New Century Advisors
Conning	Nuveen
Diamond Hill	PGIM
DoubleLine	PIMCO
Ducenta Squared	PPM America
Federated Hermes	Ramirez Asset Management
FIAM	RBC Global Asset Management - US
Garcia Hamilton	Reams Asset Management
GW&K	Segal Bryant & Hamill
Invesco	Schroders
Income Research & Management	Seix Advisors
Johnson Asset Management	Sit Investment Associates
JP Morgan	SLC Management
LM Capital	TCW
Longfellow Investment Management	Vanguard
Loomis Sayles	Wellington Management
Lord Abbett	Wells Fargo Asset Management
Mackay Shields	Western Asset
Manulife	Ziegler Capital Management
Mesirow	

To narrow the list to the sixteen managers in the tables below, respondents were removed for the following reasons:

- |   |   |
|---|---|
| • Consistency with scope of manager search                        | • Material personnel turnover               |
| • Organizational risk   | • Level of active risk and manager’s fees   |
| • Level of conviction in manager strategy/process                 | • Complementary characteristics and returns |
| • Length of track record and consistency of risk-adjusted returns |   |

## Manager Candidates

<i>As of December 2020</i>	BlackRock	Capital Group	DoubleLine	Federated Hermes
Firm Location	New York, NY	Los Angeles, CA	Los Angeles, CA	Pittsburgh, PA
Firm Inception	1988	1931	2009	1955
Ownership Structure	Publicly Traded	Privately owned	79% employee, 20% Oaktree, 1% General partners	Publicly Traded
Strategy Name	Customized Core Bond	US Core Fixed Income	Securitized Income Balanced	Core Aggregate
Strategy Inception	April 1991	December 1972	March 2020	April 1992
AUM (Firm)	\$9.0 trillion	\$2.4 trillion	\$136.2 billion	\$619.4 billion
AUM (Strategy)	\$17.7 billion	\$143 billion	\$1.3 billion	\$2.8 billion

- BlackRock was founded in 1988 and currently has \$9 trillion in AUM. BlackRock's Core Strategy is managed by the Customized Multi-Sector Team. The strategy is a best ideas fundamentally based relative value approach that seeks alpha by allocating among three alpha sources (security selection, sector allocation, and macro strategies)
- Capital Group is a Los Angeles based privately owned global asset manager with \$2.4 trillion in firm AUM and \$143 billion in the US Core Fixed Income strategy. The US Core Fixed Income strategy is a well-diversified strategy with 2000-3000 issues across 600-100 issuers. The strategy can hold up to 5% in high yield and targets excess returns primarily from security selection and sector/issuer selection with the remaining 10% targeted from yield curve management and duration management.
- DoubleLine is a majority employee-owned asset management firm founded by Jeffrey Gundlach in 2009 with \$136.2 billion in AUM. The firm is 79% employee-owned with 20% ownership by Oaktree and 1% by General Partners. The Securitized Income Balanced strategy is the investment grade version of their long standing Total Return flagship strategy.
- Federated Hermes, formerly Federated Investors, was founded in 1955 in Pittsburgh with \$619.4 billion in AUM. The strategies are run by investment committees and specialized sector teams with input into the top-down and bottom-up decision making processes. The Core Aggregate strategy inceptioned in 1992 and the portfolio management team averaged 27 years of industry experience with 23 years at Federated Hermes.



## Manager Candidates

<i>As of December 2020</i>	FIAM	Invesco	IR&M	JPMAM
Firm Location	Smithfield, RI	Atlanta, GA	Boston, MA	New York, NY
Firm Inception	2005	1997	1987	1984
Ownership Structure	Privately Owned	Publicly Traded	Employee-Owned	Publicly Traded
Strategy Name	Tactical Bond	Core Fixed Income	Aggregate Strategy	Core Bond Fund
Strategy Inception	January 2006	February 2001	December 1991	March 2006
AUM (Firm)	\$199.3 billion	\$1.3 trillion	\$88.3 billion	\$2.3 trillion
AUM (Strategy)	\$18.2 billion	\$14.7 billion	\$14.3 billion	\$9.4 billion

- FIAM is the institutional asset management arm of Fidelity and was founded in 2005 with headquarters in Smithfield, Rhode Island. The firm manages \$199.3 billion in assets, with \$18.2 billion in the Tactical Bond strategy. Tactical Bond is a top-down focused strategy that is less benchmark aware than other core alternatives. The strategy has a strong track record with high tracking error.
- Invesco's Core strategy targets 100-150 bps of excess returns annually with a tracking error of 75-125 bps and information ratio of 1.0-1.25. The team is large and experienced with industry specialists that drive the fundamentally bottom-up approach to security selection. The top down macro view is determined by a strategy team that also take thematic viewpoints across the portfolio to add alpha. Duration is kept to a narrow band and there are modest exposures to non-US securities. They typically use derivative up to 5% of the portfolio to manage duration or establish a view via credit swaps.
- IR&M is a Boston based employee owned fixed income manager founded in 1987 with \$88.3 billion in AUM. Portfolio Managers are not assigned specific portfolios but are rather sector specific with buy and sell authority in their respective sectors. The Aggregate (Core) strategy is fundamentally driven with neutral duration and yield curve positioning.
- JP Morgan Asset Management (JPMAM) is the asset management arm of publicly traded JP Morgan that manages \$2.3 trillion in assets. The fixed income team is well experienced and well-staffed with dedicated portfolio managers and analysts in credit and securitized research. The value oriented strategy seeks a diversified set of alpha sources through primarily bottom up sources of security selection and sector allocation.

## Manager Candidates

<i>As of December 2020</i>	LM Capital	Longfellow	Loomis	Lord Abbett
Firm Location	San Diego, CA	Boston, MA	Boston, MA	Jersey City, NJ
Firm Inception	1989	1986	1926	1929
Ownership Structure	Employee-Owned	Employee-Owned	Wholly owned by Natixis	Partnership
Strategy Name	Strategic Core Fixed Income	Core Fixed Income	Core Disciplined Alpha	Core Fixed Income
Strategy Inception	January 2009	January 2006	Jul-10	January 1998
AUM (Firm)	\$5.1 billion	\$14.7 billion	\$347.8 billion	\$223.7 billion
AUM (Strategy)	\$1.9 billion	\$3.4 billion	\$8.0 billion	\$3.7 billion

- LM Capital is a boutique minority owned asset manager founded in 1989 by Luis Maizel and John Chalker in San Diego, CA. The firm has \$5.1 billion in AUM with \$1.9 billion in their Strategic Core Fixed Income strategy. The strategy derives ~70% of alpha from top down decision making and does not use derivatives.
- Longfellow is based in Boston, MA and was founded in 1986 by David Seeley and John Ciarleglio, Barbara McKenna joined in 2005 at which time the firm transitioned to an LLC to distribute ownership among its employees. The firm is 100% employee owned and has \$15 billion in AUM with \$3.4 billion in Core Fixed Income. The Core strategy is defensive in nature and bottom up driven with ESG integrated into the research process.
- Loomis, headquartered in Boston, MA, is structured as a limited partnership and is a wholly-owned subsidiary of Natixis. Lynne Royer and Seth Timen co-head the Disciplined Alpha team. The team is run out of Orinda, CA and came over from Montgomery in 2009. The team is run more independently within Loomis and with a much more defensive style than other fixed income strategies. While the team operated independently, they benefit from the research efforts across the broader Loomis Sayles organization.
- Lord Abbett was founded in 1929 and became a privately held partnership in 2002. The firm manages \$234.5 billion with headquarters in Jersey City, NJ. The Core Fixed Income strategy, which has \$3.7 billion in AUM, is a fundamentally based strategy with duration neutral positioning and a focus on sector rotation to drive returns in volatile markets and security selection during more consistent periods.

<i>As of December 2020</i>	MFS	Reams	TCW	Wellington
Firm Location	Boston, MA	Columbus, IN	Los Angeles, CA	Boston, MA
Firm Inception	1924	1981	1971	1982
Ownership Structure	Majority owned by Sun Life Financial	Owned by Carillon Tower, a wholly-owned subsidiary of Raymond James	44% employee, 31% Carlyle, 25% Nippon	Employee-Owned
Strategy Name	US Core Fixed Income	Core Fixed Income	Core Fixed Income	Core Bond
Strategy Inception	January 1988	September 1992	October 1996	December 1984
AUM (Firm)	\$608.4 billion	\$22.5 billion	\$247.6 billion	\$1.3 trillion
AUM (Strategy)	\$4.7 billion	\$1.7 billion	\$13.1 billion	\$48.2 billion

- MFS has a history dating back to 1924 with the creation of the first open-end US mutual fund. The firm is indirectly wholly owned by Sun Life Financial. The firm has \$608.4 billion AUM with \$4.7 billion in US Core Fixed Income. The strategy is managed by the US Multisector Fixed Income team, which is responsible for managing a suite of US Aggregate oriented strategies differentiated from each other by the degree of flexibility they exercise relative to the index. MFS has offered a 50%+ discounted fee for an SJCERA SMA, ranking as the lowest effective fee across respondents.
- Reams was founded in 1981 and headquartered in Columbus, Indiana with \$22.8 billion in AUM. Reams was bought out of UMB Financial group by Raymond James Financial to add to its investment management division. It is a subsidiary of Scout which is owned by Carillon. Ream's Core strategy has performed exceptionally well through the COVID crisis as a result of increased market volatility where they tend to outperform their peer group.
- TCW was founded in 1971 and is based in Los Angeles, CA. In 2013, TCW's management effectuated a buy-out in partnership with The Carlyle Group. In 2017, Nippon Life completed an acquisition of a ~25% minority stake resulting in 44% ownership by employees and the remaining 31% by The Carlyle Group. TCW's fixed income team's philosophy and process are geared toward the bottom-up elements of the process, specifically sector management and issue selection. Sector and security selection have historically been the main sources of excess returns for TCW.
- Wellington was founded in 1928 with headquarters in Boston, MA. The firm is employee owned with \$1.3 trillion in AUM. There is no CIO but rather, the Broad Markets team decides upon the broad strategy. Core Bond is managed in a benchmark relative style that invests across the major sectors of the domestic investment grade bond market.

### Excess Return Correlation Matrix Longest Common Period

<i>As of March 2021</i>	<i>Dodge &amp; Cox</i>
BlackRock	0.69
Capital Group	0.69
DoubleLine	-0.47
Federated Hermes, Inc.	0.61
Fidelity Institutional Asset Management	0.82
Income Research & Management	0.74
Invesco	0.80
JPMorgan Asset Management	0.37
LM Capital Group, LLC	0.75
Longfellow Investment Management Co.	0.53
Loomis, Sayles & Company, L.P.	0.63
Lord, Abnett & Co. LLC	0.69
MFS Investment Management	0.64
Reams Asset Management, a Division of Scout Investments	-0.03
The TCW Group, Inc.	0.58
Wellington Management Company LLP	0.75

- The table above shows the monthly excess return correlation of SJCERA's existing exposure in Dodge & Cox Core Fixed Income SMA and the candidate strategies versus the Bloomberg Barclays US Aggregate. The common period for the strategies listed is September 2010 to March 2021 with the key exception of the DoubleLine strategy that incepted in March 2020.
- A critical consideration when considering pairing investment managers in the same asset class is the co-movement or correlation of their excess returns over time. In order for the pairing of managers to be beneficial to an overall allocation, the managers should have low or negative correlation of excess returns. Put another way, their returns relative to the index should be complementary in order to smooth the overall return profile of the portfolio.

**Manager Candidates Trailing Performance and Calendar Year Excess Returns (Gross of Fees)**

<i>As of March 2021</i>	BlackRock	Capital Group	DoubleLine	Federated Hermes	FIAM	IR&M	BBG Agg
<b>Trailing Period Returns (%):</b>							
YTD	0.0	0.6	0.8	0.6	0.8	0.4	-3.4
1 Year	1.8	4.0	2.0	2.0	11.4	3.1	0.7
3 Years	0.5	1.5	---	0.8	1.7	1.0	4.7
5 Years	0.5	1.1	---	0.9	3.1	0.9	3.1
10 Years	0.4	0.7	---	0.3	2.7	0.9	3.4
<b>Calendar Year Returns (%):</b>							
2020	1.2	3.4	---	1.6	1.5	2.1	7.5
2019	0.5	0.3	---	0.5	4.6	0.6	8.7
2018	0.0	0.4	---	-0.1	-0.8	0.1	0.0
2017	0.3	0.3	---	0.5	2.6	0.4	3.5
2016	0.4	0.8	---	1.0	7.3	0.9	2.6
2015	0.4	0.2	---	-0.7	-2.4	0.0	0.5
2014	0.1	0.1	---	-0.6	0.1	1.1	6.0
2013	0.5	0.5	---	0.5	5.2	0.7	-2.0
2012	1.0	1.9	---	1.2	8.2	3.2	4.2
2011	-0.2	-0.7	---	-1.1	1.5	-0.5	7.8
2010	0.4	1.2	---	0.6	4.9	0.6	6.5



**Manager Candidates Trailing Performance and Calendar Year Excess Returns (Gross of Fees)**  
[Continued]

<i>As of March 2021</i>	Invesco	JPMAM	LM Capital	Longfellow	Loomis	Lord Abbett	BBG Agg
<b>Trailing Period Returns (%):</b>							
YTD	0.7	0.6	0.4	0.8	0.1	0.8	-3.4
1 Year	4.9	2.4	3.2	3.5	2.0	3.2	0.7
3 Years	1.0	0.8	0.6	0.6	0.8	0.5	4.7
5 Years	1.5	0.7	0.5	0.8	0.7	0.6	3.1
10 Years	1.2	0.6	0.4	0.7	0.9	0.7	3.4
<b>Calendar Year Returns (%):</b>							
2020	2.7	1.2	1.6	1.1	1.8	1.1	7.5
2019	1.0	0.2	0.8	0.1	0.5	-0.2	8.7
2018	-1.4	0.7	-0.9	0.3	0.2	0.1	0.0
2017	1.5	0.7	0.3	0.6	0.4	0.5	3.5
2016	3.2	0.3	0.3	0.4	1.0	0.7	2.6
2015	-0.6	0.8	0.8	1.1	0.6	-0.4	0.5
2014	0.2	-0.1	-0.3	-0.3	0.6	1.0	6.0
2013	1.7	0.7	0.2	1.3	0.7	0.7	-2.0
2012	4.4	1.5	2.2	2.4	2.4	2.4	4.2
2011	-0.8	0.1	-1.0	0.0	0.9	0.6	7.8
2010	2.0	1.8	0.9	1.3	---	1.1	6.5

**Manager Candidates Trailing Performance and Calendar Year Excess Returns (Gross of Fees)**  
[Continued]

<i>As of March 2021</i>	<i>MFS</i>	<i>Reams</i>	<i>TCW</i>	<i>Wellington</i>	<i>BBG Agg</i>
<b>Trailing Period Returns (%):</b>					
YTD	0.1	-0.3	0.6	0.1	-3.4
1 Year	3.3	4.8	2.6	3.1	0.7
3 Years	0.8	2.9	1.1	0.9	4.7
5 Years	0.6	1.7	0.8	1.0	3.1
10 Years	0.5	1.1	0.8	1.0	3.4
<b>Calendar Year Returns (%):</b>					
2020	1.8	8.9	2.0	1.9	7.5
2019	0.5	-0.6	0.4	1.0	8.7
2018	0.1	1.5	0.6	-0.3	0.0
2017	0.4	0.0	0.0	1.1	3.5
2016	0.3	-0.2	0.2	1.6	2.6
2015	0.5	0.7	0.2	0.2	0.5
2014	0.8	-2.3	0.2	0.6	6.0
2013	0.2	1.3	1.3	1.0	-2.0
2012	1.2	2.8	4.6	2.8	4.2
2011	-0.2	0.0	-1.0	0.8	7.8
2010	1.4	0.9	5.1	2.2	6.5

**Summary**

Upon completion of the search process, Meketa recommends the SJCERA Investment Committee to consider interviewing several or all of the managers from the recommended short list.

DS, RP, RL, NB, pq

## MEMORANDUM

**TO:** SJCERA Board of Retirement  
**FROM:** Meketa Investment Group (Meketa)  
**DATE:** July 9, 2021  
**RE:** Preliminary 2021 Roundtable Overview

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### Discussion and Overview:

In preparation for the upcoming SJCERA 2021 Roundtable on October 7th, Meketa and SJCERA staff have developed several topics that we would like you to consider to help guide the discussions.

- **Investments after COVID** – Where do we go from here? Since March 2020, the world has changed. Does this mean SJCERA should change the way it looks at the investment world?
- **Inflation** – Trillions of dollars in federal stimulus, rapid increases in prices for goods and high demand has caused significant inflationary concerns. What is Inflation? Why should SJCERA be concerned? Other than TIPs, are there assets that can provide an inflation hedge to the portfolio?
- **Interest Rates and Global Growth** – Does the current and expected interest rate policy make sense in today's market? Can the federal government control the economy? Has the U.S. become the new Japan, with regard to interest rates?
- **Equities and Bonds** – What is going on in the world? Following a strong 2020 and 2021, is there still room for the equity markets to have further gains? How should SJCERA think about the fixed income markets? Are there opportunities in bonds, given the low rate environment?
- **Illiquid Investing** – Following the strong returns of the equity markets in 2020, does Private investing still make sense? What is going on in the Real Estate markets? Are there opportunities that SJCERA should consider with Private markets? What about all the dry powder?





Format:

Similar to the 2019 Roundtable, Meketa and staff would like to utilize a keynote speaker, have educational panels and a Q&A discussion session with Board trustees, managers and advisors.

As we put together the roundtable discussion, our aim is to make the meeting useful for the SJCERA board members. Meketa and SJCERA staff seek your input into these topics. Meketa will work with staff to further develop the roundtable and make this a productive event for everyone involved.





# Board of Retirement Meeting

San Joaquin County Employees' Retirement Association

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## Agenda Item 11.01

July 9, 2021

**SUBJECT: Pending Member Accounts Receivable – 2nd Quarter**

**SUBMITTED FOR:  CONSENT  ACTION  INFORMATION**

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### RECOMMENDATION

This report is submitted for the Board's information.

### PURPOSE

To report the quarterly summary of pending accounts receivables for SJCERA retired or deferred members as of June 30, 2021.

### DISCUSSION

This quarter's Pending Accounts Receivable Report, attached, includes all receivables owed by either retirees or deferred members.

In addition to the remaining receivables created by the Alameda decision in the first quarter of 2021, three others were added. Two are due to overpayment of benefits created by the unreported death of retirees and the other as a result of the actuarial assumptions that changed the benefit for one retiree.

To review, as a result of the *Alameda* decision, pay for services rendered "outside of normal working hours, whether paid in a lump sum or otherwise" cannot be included in calculating retirement benefits as of January 1, 2013, when the legislature enacted the Public Employees' Pension Reform Act of 2013 (PEPRA). Examples include Standby Pay and Correctional Briefing Pay. The attached report includes the remaining receivables created as a result of recalculating retirees' benefits to exclude those pay types.

A handwritten signature in cursive script that reads "Kathy Herman".

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KATHY HERMAN

Asst. Chief Executive Officer

Attachment – Accounts Receivable

## QUARTERLY SUMMARY REPORT OF PENDING ACCOUNTS RECEIVABLE - SJCERA MEMBERS

2nd Quarter April to June 2021									
Employee or Mbr ID	Action Date	Total Receivable	Payments Began	Current Balance	Current Payment	Payment Description	Payment End Date	First Reported To Board	
1	214605	07/15/09	11,475.48	05/01/11	\$8,588.93	\$163.00	Fixed Dollar Amount	10/01/24	Jul-11
2	215257	09/01/12	13,580.90	02/01/14	\$8,603.34	\$297.00	Fixed Dollar Amount	11/01/22	Apr-14
3	202011	05/19/02	35,537.23	11/01/15	\$19,242.62	\$277.65	Fixed Dollar Amount	12/01/27	Jan-16
4	215905	06/15/21	521.17	07/01/21	521.17	86.86	Fixed Dollar Amount	12/01/21	Jul-21
5	214228	06/15/21	2428.47	07/01/21	2428.47	2,428.47	Fixed Dollar Amount	07/02/21	Jul-21
6	202130	06/15/21	715.95	07/01/21	715.95	357.98	Fixed Dollar Amount	TBD	Jul-21
<b>Alameda Decision Receivables</b>									
7	215563	03/10/21	8507.15	06/01/21	5,671.45	383.28	Fixed Dollar Amount	12/01/23	Apr-21
8	207311	03/12/21	1699.49	06/01/21	1,416.24	283.25	Fixed Dollar Amount	12/01/21	Apr-21
9	210059	03/01/21	2688.15	05/03/21	1,792.09	448.03	Fixed Dollar Amount	11/01/21	Apr-21
10	210634	03/12/21	6978.04	06/01/21	5,815.03	1,163.01	Fixed Dollar Amount	09/01/21	Apr-21
11	210678	03/12/21	347.59	06/01/21	289.66	57.93	Fixed Dollar Amount	12/01/21	Apr-21
12	210714	03/03/21	1291.38	04/01/21	645.69	215.23	Fixed Dollar Amount	09/01/21	Apr-21
13	210883	03/01/21	2141.10	05/03/21	1,427.40	356.85	Fixed Dollar Amount	11/01/21	Apr-21
14	211047	03/15/21	210.61	06/01/21	175.51	35.10	Fixed Dollar Amount	12/01/21	Apr-21
15	211078	03/19/21	1369.48	06/01/21	1,141.23	225.28	Fixed Dollar Amount	12/01/21	Apr-21
16	211232	03/01/21	143.15	05/03/21	0.00	23.86	Fixed Dollar Amount	11/01/21	Apr-21
17	211357	03/12/21	2600.70	06/01/21	2,167.25	433.45	Fixed Dollar Amount	12/01/21	Apr-21
18	211487	03/12/21	867.58	06/01/21	722.98	144.60	Fixed Dollar Amount	12/01/21	Apr-21
19	211550	03/15/21	544.05	06/01/21	0.00	90.68	Fixed Dollar Amount	12/01/21	Apr-21
20	211624	03/10/21	441.36	06/01/21	0.00	441.36	Fixed Dollar Amount	12/01/21	Apr-21
21	211769	03/01/21	1221.93	05/03/21	814.61	203.66	Fixed Dollar Amount	11/01/21	Apr-21
22	211789	03/12/21	363.98	06/01/21	303.32	60.66	Fixed Dollar Amount	12/01/21	Apr-21
23	211926	03/12/21	834.57	06/01/21	0.00	139.09	Fixed Dollar Amount	12/01/21	Apr-21
24	212129	03/16/21	585.22	06/01/21	487.68	97.54	Fixed Dollar Amount	12/01/21	Apr-21
25	212160	03/11/21	11184.06	06/01/21	10,849.06	1,864.01	Fixed Dollar Amount	12/01/21	Apr-21
26	212167	03/15/21	732.71	06/01/21	610.59	122.12	Fixed Dollar Amount	12/01/21	Apr-21
27	212192	03/15/21	927.69	06/01/21	773.08	154.61	Fixed Dollar Amount	12/01/21	Apr-21
28	212270	03/04/21	831.23	05/03/21	554.15	138.54	Fixed Dollar Amount	11/01/21	Apr-21
29	212333	03/15/21	163.25	06/01/21	0.00	27.21	Fixed Dollar Amount	12/01/21	Apr-21
30	212554	03/12/21	971.21	06/01/21	0.00	161.87	Fixed Dollar Amount	12/01/21	Apr-21
31	212674	03/15/21	523.91	06/01/21	0.00	523.91	Fixed Dollar Amount	12/01/21	Apr-21
32	212818	03/09/21	7460.99	04/01/21	3,730.50	1,243.50	Fixed Dollar Amount	10/01/21	Apr-21
33	212984	03/01/21	8981.21	05/03/21	5,987.47	1,496.87	Fixed Dollar Amount	12/01/21	Apr-21
34	213034	03/01/21	197.47	05/03/21	131.65	32.91	Fixed Dollar Amount	11/01/21	Apr-21
35	213235	03/01/21	164.72	05/03/21	0.00	27.45	Fixed Dollar Amount	11/01/21	Apr-21
36	213346	03/15/21	1009.95	06/01/21	0.00	168.32	Fixed Dollar Amount	12/01/21	Apr-21
37	213456	03/12/21	378.50	06/01/21	0.00	63.08	Fixed Dollar Amount	12/01/21	Apr-21
38	213860	03/01/21	11365.78	05/03/21	7,577.18	1,894.30	Fixed Dollar Amount	11/01/21	Apr-21
39	214202	03/12/21	1166.01	06/01/21	971.67	194.34	Fixed Dollar Amount	12/01/21	Apr-21
40	214265	03/16/21	124.93	06/01/21	0.00	20.82	Fixed Dollar Amount	12/01/21	Apr-21
41	214416	03/12/21	3892.05	06/01/21	3,243.37	648.68	Fixed Dollar Amount	12/01/21	Apr-21
42	214610	03/12/21	2428.17	06/01/21	0.00	404.69	Fixed Dollar Amount	12/01/21	Apr-21
43	214667	03/01/21	949.13	05/03/21	632.75	158.19	Fixed Dollar Amount	11/01/21	Apr-21
44	214668	03/12/21	1316.70	06/01/21	1,097.25	219.45	Fixed Dollar Amount	12/01/21	Apr-21
45	214692	03/15/21	568.78	06/01/21	473.98	94.80	Fixed Dollar Amount	12/01/21	Apr-21
46	214766	03/12/21	180.95	06/01/21	150.79	30.16	Fixed Dollar Amount	12/01/21	Apr-21
47	215114	03/16/21	581.53	06/01/21	0.00	96.92	Fixed Dollar Amount	12/01/21	Apr-21
48	215366	03/12/21	230.48	06/01/21	0.00	38.41	Fixed Dollar Amount	12/01/21	Apr-21
49	215370	03/12/21	1355.34	06/01/21	0.00	225.89	Fixed Dollar Amount	12/01/21	Apr-21
50	215591	03/12/21	1528.80	06/01/21	1,274.00	254.80	Fixed Dollar Amount	12/01/21	Apr-21
51	215834	03/01/21	624.07	05/03/21	416.05	104.01	Fixed Dollar Amount	11/01/21	Apr-21
52	216012	03/15/21	809.48	06/01/21	674.57	134.91	Fixed Dollar Amount	12/01/21	Apr-21
53	216119	03/12/21	4782.23	06/01/21	3,985.19	797.04	Fixed Dollar Amount	12/01/21	Apr-21
54	216229	03/12/21	832.55	06/01/21	693.79	138.76	Fixed Dollar Amount	12/01/21	Apr-21
55	216355	03/15/21	176.46	06/01/21	147.05	29.41	Fixed Dollar Amount	12/01/21	Apr-21

## Pending Disability Application Statistics 2nd Quarter 2021

Time Elapsed From Application Date	
01- 03 Months	4
04- 06 Months	4
01- 03 Months	0
07- 09 Months	2
10 - 12 Months	0
13 - 15 Months	0
16 - 18 Months	0
19 - 21 Months	0
22 - 24 Months	0
Over 24 Months	0
<b>Total</b>	<b>10</b>

Break Down By Application Type	
Service-Connected	8
Nonservice Connected	1
Service & Nonservice Connected	1
<b>Total</b>	<b>10</b>

Breakdown By Department	Service	Nonservice	Service & Nonservice	Total	SJCERA	
					Members	Ratio
Child Support	1	0	0	1	179	0.56%
Hospital	1	0	0	1	1,004	0.10%
HAS	1	0	0	1	908	0.11%
Mental Health	0	0	1	1	364	0.27%
Probation	1	0	0	1	264	0.38%
Public Works	1	1	0	2	370	0.54%
Sheriff	2	0	0	2	806	0.25%
WMFD	1	0	0	1	19	5.26%
<b>Totals</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>10</b>	<b>3,914</b>	<b>0.26%</b>
<b>Total SJCERA Active Members For All Departments As of 6/25/2021</b>					<b>6,333</b>	<b>0.16%</b>
<b>Total Number of Department Groups</b>					<b>9</b>	

### 2021 Total Cases Resolved = 8

**Goal #1 - 100% of applications that do not require a hearing will go to the Board within 9 months**

**Goal #2 - 80% of applications requiring a hearing will go to the Board within 18 months**

**Goal #1**                75% Completed within 9 months

**Goal #2**                25% Completed with Hearing within 18 months

Of the eight cases that have been resolved in 2021, four were completed without a hearing. Three were completed in less than 8 months, meeting Goal # 1. Four cases required hearings, one was completed within the goal of 18 months. Delays and/or extensions caused by the applicants, SJCERA's change in policy, change in fund counsel and COVID concerns attributed to the extended processing time of these applications. Wherever SJCERA has control, these issues have been addressed.

### Calendar Year Comparison 1/1 to 12/31

	Q2 2021	2017	2018	2019	2020
New	4	37	41	13	7
Granted	3	27	21	19	10
Denied	0	6	3	2	4
Dismissed	0	11	4	6	2
Withdrawn	0	5	6	4	0
Hearing Pending	1				
<b>Total Closed</b>	<b>3</b>	<b>49</b>	<b>34</b>	<b>31</b>	<b>16</b>



## 2021 LEGISLATION

Last Updated: 06/25/2021

BILL NO.	AUTHOR	DESCRIPTION	LAST ACTION DATE	LOC	SPONSOR
<b>Legislation Impacting SJCERA:</b>					
<a href="#">AB 361</a>	Rivas	This bill would authorize local agencies to use teleconferencing to hold meetings, without complying to Brown Act requirements for purpose of declaring or ratifying a local emergency, during a declared state or local emergency and other specified circumstances. The abbreviated procedures still require providing notice, posting the agenda, and allowing the public to access the meeting and address the legislative body. The intent is to improve public access to local agency meetings during COVID-19 and future emergencies.	05/27/21	<b>Senate</b> Gov & F and JUD. Comms.	
<a href="#">AB 703</a>	Rubio	Executive Order N-29-20 suspended the Brown Act requirements for teleconferencing during the COVID-19 pandemic, provided that notice requirements are met and the ability of the public to observe and provide comments. This bill would remove the requirements of the Act particular to teleconferencing and allow for teleconferencing subject to existing provisions regarding the posting of notice of an agenda and the ability of the public to observe the meeting and provide public comment. This bill would declare Legislature's intent, consistent with the Executive Order, to improve and enhance public access to meetings into the future, and considering the digital age, by allowing broader access through teleconferencing options.	05/03/21	Assembly L. Gov Comm	
<a href="#">AB 826</a>	<b>Irwin</b>	<b>This bill would prescribe, for CERL, a definition of compensation earnable that would include any form of remuneration, whether paid in cash or as in-kind benefits, if specified requirements are met. This bill would state these provisions are declarative of existing law.</b>	06/24/21	<b>Senate</b> L., PE & R Comm.	Ventura County/SEIU
<a href="#">AB 845</a>	Rodriguez	This bill, until 1/1/2023, would create a presumption, applicable to the retirement systems that PEPRA regulates, that would be applied to disability retirements on the basis of a COVID-19-related illness. The presumption would apply to specified firefighter, public safety officer, and health care job classifications, or their functional equivalents, and to members in other job classes who test positive during a COVID-19 outbreak at their place of employment.	06/22/21	<b>Senate</b> Third Reading	
<a href="#">SB 274</a>	Wieckowski	This bill would require a local agency to email a copy of, or website link to, the agenda or a copy of the agenda packet if the person requests that the items be delivered by email. If it is technologically infeasible, the bill would require materials to be sent by mail.	06/24/21	<b>Assembly</b> APPR. Comm	
<a href="#">SB 634</a>	L, PE & R Comm.	This bill would authorize county health officer's duly authorized representative to also advise retirement boards with advice on medical matters; correct an obsolete CERL cross-reference to a provision in the Education Code; repeal a CERL member's authority to complete a service credit by paying a lump sum; authorize the Board to contract with a private practice physician for medical advice necessary to carry out disability retirement related provisions of CERL. This bill would also make changes to PERS and STRS that would not impact SJCERA.	6/25/21	<b>Assembly</b> 6/30 hearing postponed by APPR. committee	

BILL NO.	AUTHOR	DESCRIPTION	LAST ACTION DATE	LOC	SPONSOR
<b>Other Bills of Interest:</b>					
<a href="#">AB 339</a>	Lee	This bill would, until December 31, 2023, require all public meetings of a city council or county board of supervisors that governs a jurisdiction of at least 250,000 people to include an opportunity for members of the public to attend via a telephonic option or internet-based option.	06/25/21	<b>Senate</b> Read second time, amended and re-referred to GOV&F Comm.	
<a href="#">AB 386</a>	Cooper	This bill would exempt from disclosure under CPRA regarding an internally managed private loan made directly by the PERS fund.	06/29/21	<b>Senate</b> Read second time, amended and re-referred to JUD. Comm.	
<a href="#">AB 473</a>	Chau	Technical, non-substantive changes to CPRA.	07/01/21	<b>Senate</b> Read second time, ordered to consent calendar JUD. Comm.	
<a href="#">AB 761</a>	Chen	This bill would allow the OCERS Board to appoint CEO, ACEO, CIO and provide that personnel appointed pursuant to these provisions would not be county employees, and instead be employees of the retirement system.	06/28/21	<b>Chaptered</b>	OCERS
<a href="#">AB 885</a>	Quirk	This bill would require State bodies that conduct meetings by teleconferencing to make the open session both audibly and visually observable, and to post the agenda at the designated primary physical meeting location where members of the public may physically attend the meeting and participate.	03/25/21	Assembly Re-referred to G.O. Comm.	
<a href="#">AB 890</a>	Cervantes	This bill would require the Boards of CalPERS and CalSTRS to report annually to the Legislature on the status of achieving objectives and initiatives regarding the participation of emerging or diverse managers responsible for asset management within the pension fund's portfolio. The bill requires the Boards to define "emerging manager" and "diverse manager" for the purposes of these reports.	06/16/21	<b>Senate</b> L., PE & R Comm.	
<a href="#">AB 1133</a>	Chen	This bill would state the intent of the Legislature to enact legislation that would create a hybrid retirement benefit, consisting of a DB plan and DC plan.	2/19/21	Assembly From printer	
<a href="#">AB 1354</a>	Grayson	Technical, non-substantive changes to PEPRA.	02/22/21	Assembly First Reading	
<a href="#">AJR 9</a>	Cooper	This measure would request the Congress of the U.S. to enact, and the President to sign, legislation that would repeal the Government Pension Offset and the Windfall Elimination Provision from the Social Security Act.	06/23/21	<b>Senate</b> L., PE & R Comm.	
<a href="#">SB 278</a>	Leyva	This bill would establish new procedures under PERL for cases in which PERS determines that benefits of a member or annuitant are based on disallowed compensation that conflicts with PEPRA or other laws under PERL. For retirees, the bill would require adjustment of benefits and for actives it would require crediting of contributions paid on disallowed earnings against future required contributions.	06/24/21	<b>Assembly</b> APPR. Comm	
<a href="#">SB 294</a>	Leyva	This bill would remove the 12-year limitation for service credit earned on an employer-approved compensated leave for PERS and STRS.	06/24/21	<b>Assembly</b> APPR. Comm	

BILL NO.	AUTHOR	DESCRIPTION	LAST ACTION DATE	LOC	SPONSOR
<a href="#">SB 411</a>	Cortese	PEPRA prescribed various limitations on public employees, employers, and retirement systems concerning, among other things, work after retirement. PERL generally prohibits retired PERS members from working for an agency participating in the system without reinstatement in the system, unless that employment is otherwise specifically authorized. This bill would eliminate the above-described requirement that a person employed without reinstatement in a manner other than authorized by PERL be reinstated, instead providing that reinstatement is permissive. The bill would limit the circumstances pursuant to which retired members and employers are obligated to pay employee and employer contributions, which would have otherwise been paid, plus interest, to apply only to specified reinstatements. The bill would make conforming changes and make specific reference to the duties of employees and employers regarding reinstatement after retirement in violation of PEPRA.	06/25/21	<b>Assembly</b>	APPR. Comm. 6/30 hearing postponed by committee
<b>Federal Legislation:</b>					
<a href="#">HR 1319</a>	Yarmuth	Called the "American Rescue Plan Act", HR 1319 was signed into law. Included in the \$1.9 trillion aid package is pandemic-related aid to state and local governments. The final legislation makes clear that funds have to be used for COVID costs and economic recovery and cannot be deposited into a public pension plan, or used for lowering taxes, or paying down legacy obligations.	03/11/21	Public Law No:	117-2
<a href="#">HR 2954</a>	Neal	Called the "Securing a Strong Retirement Act of 2021", this bill would among other things increase RMD age to 75 from 72 over the next decade.	05/05/21	Ways and Means Committee	
<b>2021 TENTATIVE State Legislative Calendar (Last Revised 12-21-2020)</b>					
Feb 19	Last day for new bills to be introduced				
Mar 25	Spring Recess begins upon adjournment				
<b>Jun 4</b>	<b>Last day for bills to be passed out of the house of origin</b>				
Jun 15	Budget Bill must be passed by midnight				
Jul 16 -					
Aug 15	Summer Recess upon adjournment provided budget bill passed				
Sep 3	Last day to amend bills on the floor				
Sep 10	Last day for each house to pass bills; Final Study Recess begins upon adjournment				
Oct 10	Last day for Governor to sign or veto bills.				



**2021 CONFERENCES AND EVENTS SCHEDULE 2021**

<b>EVENT DATES 2021</b>		<b>EVENT TITLE</b>	<b>EVENT SPONSOR</b>	<b>LOCATION</b>	<b>REG. FEE</b>	<b>WEBLINK FOR MORE INFO</b>	<b>EST. BOARD EDUCATION HOURS</b>
<b>BEGIN</b>	<b>END</b>						
Jul 13	Jul 22	SACRS Public Pension Investment Management Program	SACRS	Webinar	\$500	sacrs.org	24 hrs*
Jul 27	Jul 29	Private Equity Exclusive 2021	Pension Bridge	Virtual Conference	N/A	pensionbridge.com	10 hrs*
Sep 1	Sep 3	2021 Fall Editorial Advisory Board Meeting	Institutional Real Estate Inc.	Laguna Beach, CA		irei.com	
Sep 9	Sep 9	Investments Round Table	CALAPRS	Webinar	\$50	calaprs.org	4 hrs*
Sep 28	Sep 30	Principles for Trustees	CALAPRS	Virtual Conference	\$500	calaprs.org	9 hrs*
Nov 9	Nov 12	SACRS Fall Conference	SACRS	Hollywood, CA	\$120	sacrs.org	11 hrs*
Nov 15	Nov 17	2021 iREOC Annual Membership Meeting	Institutional Real Estate Inc.	San Diego, CA		irei.com	

\* Estimates based on prior agendas



## *Virtual Program* Principles for Trustees 2021

*Featuring abbreviated sessions from CALAPRS popular annual program  
for new public pension fund trustees*

### **About The Program**

Public Pension Fund Trustees bear a heavy fiduciary burden. On a cumulative basis, California's Constitution holds our members' **350** Trustees accountable for the stewardship of more than **\$450** Billion in retirement fund assets. **40** California public pension systems belong to CALAPRS. For many years, Trustees of our member retirement systems have participated in CALAPRS' unique training programs presented exclusively for California public retirement system board members.

The in-person Principles of Pension Governance for Trustees program held at Pepperdine University has been postponed until 2022. However, to continue CALAPRS' mission of providing education for trustees during these unprecedented times, we have arranged with our faculty of subject-matter experts to present abbreviated versions of several key educational topics from this program in an online format in 2021.

It is our hope that those who attend the online program this year will be able to join us next year as well, to experience the full educational program and the full agenda of important topics and networking that are offered in-person at Pepperdine.

#### **Who Should Attend?**

The course is for Trustees. Attendance is recommended within the first year after assuming office. Experienced Trustees will use the program as a comprehensive refresher course.

#### **Faculty**

The Course will be taught by public pension practitioners, including Consultants, Actuaries, Investment Managers, & Administrators.

#### **How to Participate – The Virtual Platform**

The program will be held using the Zoom Meeting platform and attendees will need to participate using their computer or mobile tablet in order to access the visual portion of the sessions. Audio may be accessed by dialing in by phone or through computer audio using the Zoom platform. Detailed access instructions will be sent to each participant upon registration.

CALAPRS plans to make this course interactive and allow attendees the option to enable their audio and video and participate actively in the discussion, as facilitated by the moderators. In addition, a chat box will be available for attendees to communicate with each other in writing, as well as a written Q&A feature to submit questions directly to the presenters / moderators.

## **The Curriculum**

All course materials are based on actual California public pension fund law, policies, practices and problems.

### **Tuesday, September 28, 2021**

8:30 – 10:00am PT

#### **Fiduciary Duty and Sound Decision Making**

- Identify and discuss the fiduciary duties that are applicable to public pension board members in California. (Duty of Loyalty & Duty of Care)
- Board meeting process – Motions, seconds, etc.
- Eight questions Board members should ask themselves before making a decision
- Not so hypothetical hypotheticals

*Presented by:*

*Chris Waddell, Senior Counsel, Olson Remcho*

10:00-10:30am Break

10:30am-12:00pm PT

#### **Key Issues in Disability Retirement**

- Understand purpose and types of disability retirement
- Discuss the standards and elements of disability retirement
- Understand the role of staff and trustees, as well as considerations for board members

*Presented by:*

*Suzanne Jenike, Assistant CEO, External Operations, Orange County Employees Retirement System*

### **Wednesday, September 29, 2021**

8:30am-12:00pm PT (Break 10:00-10:30am)

#### **Investment Policy Basics & Overseeing the Investment Program**

- Linking the liabilities to the asset portfolio
- The roles of trustees, staff and advisors in the decision-making process
- How to design and implement a successful strategic investment program
- How asset allocations are selected
- Best practices for implementation and monitoring of investment programs

*Presented by:*

*Tim Price, Chief Investment Officer, Contra Costa County Employees' Retirement Association  
Scott Whalen, Executive Vice President, Verus Investments*

### **Thursday, September 30, 2021**

8:30am-12:00pm PT (Break 10:00-10:30am)

#### **Addressing Pension Liabilities**

- Role of an actuary & purposes of an actuarial valuation
- Walk through an actuarial valuation and report
- Role of assumptions and methods
- Understanding actuarial gains and losses
- Overview of actuarial gains and losses, UAAL, and asset smoothing methods

*Presented by:*

*Paul Angelo, FSA, Senior Vice President & Actuary, Segal Consulting*

*Todd Tauzer, FSA, CERA, FCA, MAAA, Vice President & Actuary, Segal Consulting*

## **Registration & Pricing**

Registration is open to any current trustee from a CALAPRS member retirement system. Registration is open online at [www.calaprs.org](http://www.calaprs.org).

Pricing is as follows:

- Full virtual program (all 3 sessions): \$500

Register now at [www.calaprs.org/events](http://www.calaprs.org/events)

### **Questions?**

Contact [register@calaprs.org](mailto:register@calaprs.org) or 415-764-4860 and a member of the CALAPRS staff will be happy to assist you.

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
SUMMARY OF PENDING TRUSTEE AND EXECUTIVE STAFF TRAVEL**

<b>2021</b>					
<b>Event Dates</b>	<b>Sponsor / Event Description</b>	<b>Location</b>	<b>Traveler(s)</b>	<b>Estimated Cost</b>	<b>BOR Approval Date</b>
Jul 27 - 29	Private Equity Exclusive 2021	Virtual Conference	Ba	N/A	N/A
Nov 9 - 12	SACRS Fall Conference	Hollywood, CA	Keokham, Nicholas, Restuccia	\$120	N/A
Sep 1 - 3	2021 Fall Editorial Advisory Board Meeting	Laguna Beach, CA	Restuccia	N/A	N/A
Nov 15 - 17	2021 iREOC Annual Membership Meeting	San Diego, CA	Restuccia	N/A	N/A

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

**SUMMARY OF COMPLETED TRUSTEE AND EXECUTIVE STAFF TRAVEL**

<b>Event Dates 2021</b>	<b>Sponsor / Event Description</b>	<b>Location</b>	<b>Traveler(s)</b>	<b>Estimated Cost</b>	<b>Actual Cost</b>	<b>Event Report Filed</b>
Jan 27	Meketa Fourth Quarter 2020 Market Review	Webinar	Nicholas, Praus	N/A	N/A	N/A
Feb 2 - 3	NCPERS FALL Conference	Webinar	Shick, Herman, Ba	\$900	\$900	N/A
Feb 11	CALAPRS Administrators' Roundtable	Webinar	Shick	\$50	\$50	N/A
Feb 19	CALAPRS Attorneys' Roundtable	Webinar	Morrish	\$50	\$50	N/A
Feb 23 - 25	2021 Pension Bridge ESG Summit Virtual Conference	Virtual Conference	Keokham	N/A	N/A	N/A
Mar 8 - 9	CALAPRS General Assembly	Webinar	Shick, Bassett, Nicholas	\$850	\$850	N/A
May 11 - 14	SACRS Spring Conference	Virtual Conference	Keokham, Morrish, McCray, Restuccia, Shick	\$120	N/A	N/A
May 28	CALAPRS Attorneys' Roundtable	Webinar	Morrish	\$50	\$50	N/A
Jun 22 - 23	Moody's Commercial Real Estate Analysis Foundations	Virtual Conference	Ba	\$1,946	\$1,946	
Jun 25	CALAPRS Administrators' Roundtable	Webinar	Shick	\$50	\$50	N/A



# San Joaquin County Employees' Retirement Association

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July 2, 2021

TO: Board of Retirement

FROM: Johanna Shick   
Chief Executive Officer

SUBJECT: Chief Executive Officer Report

**Happy 75<sup>th</sup> Anniversary SJCERA!** The San Joaquin County Board of Supervisors' resolution establishing SJCERA became effective on June 28, 1946. To commemorate SJCERA's 75 years as a trusted financial steward and to strengthen our brand identity, Communications Officer Freda King and IT Systems Analyst Lolo Garza spearheaded the implementation of a standardized signature block for all staff emails. A sample is provided below.



**Johanna Shick**  
Chief Executive Officer  
6 South El Dorado Street, Suite 400 | Stockton, CA 95202  
Office 209.468.2163 | Fax 209.468.0480 | [www.SJCERA.org](http://www.SJCERA.org)

*San Joaquin County Employees' Retirement Association: 75 Years as Your Trusted Financial Steward*

## **Strengthen Fund Stability**

White Oak Yield Spectrum Fund V Final Closing Date Extension. After consulting with Meketa, SJCERA has agreed to extend the final closing date for the White Oak Yield Spectrum Fund V three months, from July 8, 2021 to October 8, 2021.

Virtus to Acquire Stone Harbor. Stone Harbor has entered into a definitive agreement to become an affiliate investment boutique of Virtus Investment Partners (NASDAQ: VRTS), and the transaction is expected to close in fourth quarter 2021. Stone Harbor's investment team will maintain full autonomy over its investment processes, culture, brand, and day-to-day activities, with added shared resources from Virtus. Meketa views the ownership change as significant, but since the team serving SJCERA does not change, we have no concerns over the acquisition.

Additional Employer Contributions. Currently, three employers (the County, San Joaquin County Superior Court, and the Mosquito and Vector Control District) voluntarily make additional contributions with the goal of decreasing their portion of the unfunded actuarial liability (UAL). On June 29, 2021, the Court made an additional payment of \$975,000 toward their unfunded liability. The \$975,000 represents nearly 11 percent of the Court's 2020 annual contributions (the equivalent of almost three additional bi-weekly contributions) and is more than twice the amount of the additional contribution made last year (\$475,000). The commitment to funding the benefit for their employees is impressive and very much appreciated.

## **Leverage Technology to Improve Accuracy and Efficiency**

Implement Year 1 of Five-Year Technology Plan.

*Implement Pension System Enhancements Remaining on Statement of Work for Legacy PAS.*

Currently, the system enhancements work is focused on refining the member statement process. Typically, SJCERA sends member statements in late August or September.

*Issue RFP for a Provider to Write an RFP for a new PAS Vendor*

The evaluation team (Kathy Herman, Adnan Khan, Greg Frank, and myself) completed its review, interviews and reference checks. At its July meeting, the Board will consider staff’s recommendation regarding the vendor to select to write the Pension Administration System RFP.

*Maintain and Update Core Functionality of Legacy PAS*

Information Systems Manager, Adnan Khan, has implemented enhanced monitoring protocols to ensure critical functions run smoothly in the absence of vendor support.

**Manage Risk**

Conduct Cyber-Security Audit. Linea Secure is now under contract to provide SJCERA’s Cyber-Security Audit. A kickoff meeting is scheduled for July 6, 2021. The scope of work includes: risk assessment, audit, vulnerability assessment, penetration testing and a red team exercise.

Conduct Actuarial Audit. Milliman is now under contract to provide Actuarial Auditing services for SJCERA. Information Systems Manager, Adnan Khan, has provided them SJCERA’s actuarial data and Milliman has been in contact with Cheiron. Cheiron is scheduled to present SJCERA’s actuarial valuation at the August Board meeting, and Milliman is scheduled to present their audit of Cheiron’s valuation at the September Board meeting.

Implement Alameda Decision. Assistant CEO Kathy Herman and Information Systems Manager Adnan Khan met with the County to discuss the process that will be used to return overpaid contributions to active members. (Recall that because *Alameda* prohibits the use of certain earnings types in retirement calculations, SJCERA must return contributions the members paid on those earnings types during specific date ranges.) SJCERA’s actuary, Cheiron, has completed the preliminary calculations of active member contributions to be returned.

Alameda Decision: Active Members Affected		
Dollars		People
\$1-\$500		758
\$500-\$1,000		206
\$1,000-\$1,500		105
\$1,500-\$2,000		52
\$2,000-\$5,000		111
\$5,000-\$10,000		53
\$10,000-\$23,000		15
		<b>1300</b>

SJCERA and the County agreed on a phased roll out of the notifications and repayments. The return of overpaid contributions will be processed in batches based on overall dollar amount. The first batch of approximately 750 active employees will receive a return of contributions of \$500 or less. This amount is unlikely to severely impact a member’s tax withholding and thus minimize the number of change requests that department payroll staff have to manually enter. We will continue working through each subsequent group until all repayments are complete. The table shows the contribution amounts to be returned and the number of members in each range.

**Improve Operational Efficiency**

Reduce Complexity: Identify SJCERA-Unique Processes and Opportunities to Align with Industry Norms. ACEO Kathy Herman and I have communicated the goal of aligning SJCERA’s business practices with industry norms to both staff and the vendor who is recommended to write the Pension Administration System RFP. Having this goal in mind will help guide the requirements gathering phase of the RFP-writing process.

Improve Website Architecture and Functionality. Communications Officer Freda King and Adnan Khan obtained estimates and checked references for website vendors. Thus far, three bids have been submitted, (Digital Deployment, Media Fusion and Rolling Orange). We anticipate receiving two additional bids shortly. In July, Freda and the IT team (Adnan, Lolo and Jordan) will meet to identify a recommended vendor, and submit that recommendation to me for approval.



Update Forms in the PAS to Align with Revised Processes in Enhanced System. Retirement Services Associate, Andrea Bonilla and IT Systems Specialist, Jordan Regevig modified and implemented revisions to the “Disposition of Contributions” forms, used when members terminate employment so they can instruct staff on what to do with their contributions. Andrea and Jordan were able to streamline the form, reducing it by one page. Members are now able to better understand the information, resulting in fewer questions to staff.

### **Deliver Excellent Service and Support to Stakeholders**

Provide Stakeholder Communication and Education. On June 30, 2021, I distributed the *Retiree Return to Work: Restrictions Reinstated* employer notice to all employers, labor and retiree representatives, County Department Heads, and the leads for the County payroll and personnel user groups. The more flexible rules related to hiring retired SJCERA members that were in place during the State of Emergency due to COVID-19 expired June 30. Effective July 1, 2021, retirees are once again limited to working 960 hours per fiscal year, and the waiting period is once again in effect.

Develop Quality Online SJCERA Benefit Videos. Communications Officer, Freda King, has begun work on two short videos: *About SJCERA* (as a possible replacement for the new employee orientation video) and *Retirement Benefit Calculator Tutorial*. Freda has drafted the outlines and scripts, and developed a proof-of-concept version of the *Retirement Benefit Calculator Tutorial* for review. Lolo Garza assisted Freda with identifying and/or installing the needed equipment to record, edit and produce the audio and video.

Provide Excellent Customer Service. A few quotes from our members:

- “Alejandra was very professional and helped me in seconds.”
- “Ms. Melinda was patient, answered questions promptly, and went out of her way to ensure everything was processed quickly.”
- “Mary Chris was very professional, knowledgeable and answered my questions quite well. When everyone is stressed because of the pandemic it is so nice to communicate with someone that has the patience and great personality to work with seniors.”

### **Maintain a High-Performing Workforce**

Staffing Updates. Congratulations to Marissa Smith on her promotion to Accounting Technician II. Marissa started with SJCERA as an Office Worker in 2008 and has continually demonstrated the ability to exceed expectations, solve problems and improve processes. In this position, Marissa will continue to oversee many of the Retiree Payroll functions as she takes on the lead role and joins the rest of the finance team in processing the active member contributions tasks and other bookkeeping duties.

Offer Enterprise Training on Topics Intended to Strengthen SJCERA’s Succession Planning. Administrative Secretary, Kendra Fenner is working with a facilitator at University of the Pacific to secure dates for a Project Management Training Course. The course will consist of three two-hour virtual live sessions as well as pre-course work material. Staff will also have access to a post workshop for one year after the live sessions. Kendra has also identified other vendors to provide workshops on courses related to communication and delegation.

### **Managing Emerging Organizational Needs**

Identify and Begin Implementing a 2022 Strategic Planning Process. The Administrative Committee approved Mosaic Governance Advisors as the vendor to facilitate SJCERA’s strategic planning process. Mosaic is now under contract and will provide an overview of the process and timeline at the July Board meeting. The strategic plan timeline may affect when the Board approves the action plan this year.

Litigation Update. In *Allum v. SJCERA* (the Post-82 matter), the Third District Court of Appeal affirmed the summary judgment in favor of SJCERA based on the statute of limitations. This is the second recent win for SJCERA. In *SJCERA v. Travelers* (regarding SJCERA seeking coverage under a fiduciary

liability insurance policy), the Ninth Circuit Court of Appeal reversed the trial court's summary judgment (which had been in favor of Travelers), concluding the trial court's reliance on the prior and pending litigation exclusion was misplaced and the inadequate funding provision didn't apply to preclude coverage. The Travelers case has been remanded to the District Court for post-judgment proceedings.

### Conclusion

A lot has changed in 75 years. Today, SJCERA serves more members, the benefits are more complex, and (at about \$3.7 billion) our assets under management have reached new heights. We are beginning to make progress on our funded ratio—the valuation presented to the Board next month is expected to report a 68 percent funded ratio. Here are a few more highlights from our historical records.

1947	\$311,000 Assets Under Management (AUM); 1,114 members
1962	\$10 million AUM; 1,937 members; 211 retired members (first valuation to report retired members)
1977	First valuation reporting funded ratio: 92.1 percent; \$90 million AUM; 3,526 active members; 982 retired members
1990	Probation Officers became Safety members
1991	SJCERA hired its first administrator, separate from the County Treasurer-Tax Collector's Office. Assets under management approximately \$586 million; funded ratio at market value: 159 percent
1993	Public Health employees deferred their PERS membership and became SJCERA members
1993-2002	SJCERA more than 100 percent funded
1995	First checks issued from "new" retiree payroll system
1995	Non-vested deferred members included in actuarial data (submitted for 1996)
1996	State Source Taxes Eliminated: out-of-state retirees no longer required to pay California income taxes on their pension.
1999	\$1,000 lump sum death benefit increased to \$5,000 for retired members who die on or after January 1, 1999
12/1999	SJCERA moved to 6 South El Dorado Street
2000	Cancer presumption for Safety member disability retirement benefits implemented
3/2001	Internet connection established to all employee terminals in the SJCERA office
8/2001	Class Action Settlement approved by the Court, adopted increased benefit formulas and established the pre- and post-82 benefits
2003	Began crediting interest on all member accounts regardless of vesting status
2004	Medicare Part B Reimbursement program became effective
2013	PEPRA (Tier 2) implemented
2021	Implemented <i>Alameda</i> decision excluding certain pay types from retirement benefit calculations
2021	Board of Retirement amended its determination of pensionable compensation such that retirement benefits for new Tier 2 members who first become SJCERA members on or after January 1, 2022, will be calculated using base pay only





# Board of Retirement Meeting

San Joaquin County Employees' Retirement Association

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## Agenda Item 16.0

July 9, 2021

**SUBJECT: Election of Board Officers for 2021-2022**

**SUBMITTED FOR:   \_\_ CONSENT    X ACTION    \_\_ INFORMATION**

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### RECOMMENDATION

Staff recommends the Board elect trustees to serve as the officers of the Chair, Vice Chair, and Secretary for one year beginning July 2021.

### PURPOSE

To annually elect the Board officers in accordance with the Bylaws.

### DISCUSSION

Section 5.4.A. of the Bylaws requires the Board, at the first meeting in July of each year, to elect, pursuant to open nomination, one of its members as Chair, one member as Vice-Chair, and one member as Secretary, each to hold office for a term of the later of one year or until a successor is duly elected.

The duties of the Chair, as stated in 5.4.B of the Bylaws are as follows:

- Presides at all Board meetings, and conducts the meetings in accordance with the bylaws and applicable rules and statutes,
- Appoints Board members to standing and ad hoc committees of the Board,
- Signs all minutes, resolutions, orders or other documents of the Board, and
- Is authorized to sign on behalf of SJCEA any contracts, agreements, or other documents and forms required to effect the decisions and commitments approved by the Board or to comply with statutory or regulatory requirements

The duties of the Vice Chair, as stated in 5.4.C of the Bylaws are as follows:

- Assumes the duties of the Chair when the Chair is absent, and assumes powers and duties of the Chair when serving in that role

The duties of the Secretary, as stated in 5.4.D of the Bylaws are as follows:

- Certifies meeting minutes, resolutions, and orders of the Board as approved or adopted by the Board, and
- Assumes the duties of Chair in the simultaneous absence of both the Chair and Vice Chair. When serving as Chair, the Secretary shall have all the powers of the Chair and shall assume all of the duties of the Chair

JOHANNA SHICK  
Chief Executive Officer

GREG FRANK  
Management Analyst III