



# ORANGE COUNTY FIRE AUTHORITY AGENDA

## Budget and Finance Committee Meeting

Wednesday, April 9, 2014

12:00 Noon

### Orange County Fire Authority Regional Fire Operations and Training Center

1 Fire Authority Road

Room AE117

Irvine, California 92602

Elizabeth Swift, Chair

Randal Bressette, Vice Chair

Sam Allevato Trish Kelley Jerry McCloskey Al Murray Steven Weinberg

Bruce Channing - Ex Officio

*Unless legally privileged, all supporting documentation and any writings or documents provided to a majority of the Budget and Finance Committee after the posting of this agenda, which relate to any item on this agenda will be made available for public review in the office of the Clerk of the Authority located on the 2<sup>nd</sup> floor of the OCFA Regional Fire Operations & Training Center, 1 Fire Authority Road, Irvine, CA 92602, during regular business hours, 8:00 a.m. - 5:00 p.m., Monday through Thursday, and every other Friday, (714) 573-6040. In addition, unless legally privileged, all supporting documentation and any such writings or documents will be available online at <http://www.ocfa.org>.*

This Agenda contains a brief general description of each item to be considered. Except as otherwise provided by law, no action or discussion shall be taken on any item not appearing on the following Agenda. Supporting documents, including staff reports, are available for review at the Orange County Fire Authority Regional Fire Operations and Training Center, 1 Fire Authority Road, Irvine, CA 92602 or you may contact Sherry A.F. Wentz, Clerk of the Authority, at (714) 573-6040 Monday through Friday from 8:00 a.m. to 5:00 p.m.

If you wish to speak before the Budget and Finance Committee, please complete a Speaker Form identifying which item(s) you wish to address. Please return the completed form to the Clerk of the Authority. Speaker Forms are available on the counter noted in the meeting room.



In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the Clerk of the Authority at (714) 573-6040. Notification 48 hours prior to the meeting will enable the Authority to make reasonable arrangements to assure accessibility to the meeting.

## CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director McCloskey

## ROLL CALL

**PUBLIC COMMENTS**

Any member of the public may address the Committee on items within the Committee's subject matter jurisdiction but which are not listed on this agenda during PUBLIC COMMENTS. However, no action may be taken on matters that are not part of the posted agenda. We request comments made on the agenda be made at the time the item is considered and that comments be limited to three minutes per person. Please address your comments to the Committee as a whole, and do not engage in dialogue with individual Committee Members, Authority staff, or members of the audience.

**MINUTES**

- 1. Minutes for the March 12, 2014, Budget and Finance Committee Meeting**  
Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:  
Approve as submitted.

**CONSENT CALENDAR**

No items.

**DISCUSSION CALENDAR**

- 2. Monthly Investment Report**  
Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:  
Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of April 24, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

- 3. Status Update – Orange County Employees' Retirement System**  
Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:  
Receive and file the report.

- 4. Annual Complaint Investigation Hotline Report – Calendar Year 2013**  
Submitted by: Janet Wells, Interim Human Resources Director

Recommended Action:  
Receive and file the report.

**5. Third Quarter Workers' Compensation Program Update – *December 2013 through February 2014***

Submitted by: Janet Wells, Interim Human Resources Director

Recommended Action:

Receive and file the report.

**REPORTS**

No items.

**COMMITTEE MEMBER COMMENTS**

**ADJOURNMENT** – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, May 14, 2014, at 12:00 noon.

**AFFIDAVIT OF POSTING**

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Fire Operations and Training Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 3<sup>rd</sup> day of April 2014.

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Sherry A.F. Wentz, CMC  
Clerk of the Authority

**UPCOMING MEETINGS:**

Claims Settlement Committee Meeting	Thursday, April 24, 2014, 5:00 p.m.
Executive Committee Meeting	Thursday, April 24, 2014, 5:30 p.m.
Board of Directors Meeting	Thursday, April 24, 2014, 6:30 p.m.
Budget and Finance Committee Meeting	Wednesday, May 14, 2014, 12:00 noon

# MINUTES ORANGE COUNTY FIRE AUTHORITY

**Budget and Finance Committee Meeting**  
**Wednesday, March 12, 2014**  
**12:00 Noon**

**Regional Fire Operations and Training Center**  
**Room AE117**  
1 Fire Authority Road  
Irvine, CA 92602

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## CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on March 12, 2014, at 12:00 p.m. by Chair Swift.

## PLEDGE OF ALLEGIANCE

Director Weinberg led the assembly in the Pledge of Allegiance to our Flag.

## ROLL CALL

**Present:** Randal Bressette, Laguna Hills  
Jerry McCloskey, Laguna Niguel  
Al Murray, Tustin  
Elizabeth Swift, Buena Park  
Steven Weinberg, Dana Point

**Absent:** Sam Allevato, San Juan Capistrano  
Trish Kelley, Mission Viejo

### Also present were:

Fire Chief Keith Richter  
Deputy Chief Craig Kinoshita  
Assistant Chief Dave Thomas  
Clerk of the Authority Sherry Wentz

General Counsel David Kendig  
Assistant Chief Brian Stephens  
Assistant Chief Lori Zeller  
Assistant Clerk Lydia Slivkoff

## PUBLIC COMMENTS (X: 12.02B3)

Chair Swift opened the Public Comments portion of the meeting. Chair Swift closed the Public Comments portion of the meeting without any public comments.

## MINUTES

### 1. **Minutes for the February 5, 2014, Budget and Finance Committee Meeting** (F: 12.02B2)

On motion of Director Murray and second by Director McCloskey, the Committee voted unanimously to approve the minutes of the February 5, 2014, Budget and Finance Committee Meeting, as submitted.

## CONSENT CALENDAR

### 2. **Monthly Investment Reports** (F: 11.10D2)

While Director McCloskey did not pull this item from the Consent Calendar, he did request a brief update.

Treasurer Tricia Jakubiak provided an overview of the investment report and current global market activity.

On motion of Vice Chair Bressette and second by Director McCloskey, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee meeting of March 27, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

### 3. **Monthly Status Update – Orange County Employees' Retirement System** (F: 17.06B)

On motion of Vice Chair Bressette and second by Director McCloskey, the Committee voted unanimously to receive and file the report.

## DISCUSSION CALENDAR

### 4. **Orange County Employees' Retirement System – Direct Lending** (F: 17.06D)

Assistant Chief Zeller introduced Treasurer Tricia Jakubiak who provided an overview on the Orange County Employees' Retirement System (OCERS) – Direct Lending.

Committee members expressed concern regarding the policy and a potential conflict of interest by OCERS staff.

On motion of Director McCloskey and second by Director Murray, the Committee voted unanimously to: 1.) Direct staff to place the item on the agenda for the Executive Committee meeting of March 27, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee review the agenda item, and 2.) Direct staff to place the item on the agenda for the Board of Directors meeting of March 27, 2014, with the Budget and Finance Committee's recommendation the Board of Directors direct staff to send a letter to OCERS expressing concern with the Direct Lending Program.

**5. Request for Proposal No. MD1902- Bond, Tax and Disclosure Counsel (F: 15.10E)**

Assistant Chief Zeller provided an overview of agenda item amendments and introduced Treasurer Tricia Jakubiak and Supervising Purchasing Agent Monica Dorfmeier. Treasurer Jakubiak provided a report on the use of tax and revenue anticipation notes and the request for Bond, Tax and Disclosure Counsel.

On motion of Vice Chair Bressette and second by Director McCloskey, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee meeting of March 27, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee approve and authorize the Fire Chief to sign the Professional Services Agreement for bond, tax and disclosure counsel with Hawkins Delafield & Wood LLP for an initial term of one (1) year for a not-to-exceed amount of \$42,950 plus costs for publications necessary for public sale of Tax and Revenue Anticipation Notes (TRANs) and any reports necessary for the Official Statement (e.g., Overlapping Debt Report) with the option of two (2) additional one-year extensions subject to increases based on Consumer Price Index (CPI) with a not-to-exceed amount of 3% per year.

**6. Implementation of Audit Recommendations - Purchasing (F: 15.02A1) (X: 11.03A)**

Assistant Chief Zeller provided an overview of the Implementation of Audit Recommendations for Purchasing and introduced Purchasing & Materials Manager Debbie Casper who provided a report.

On motion of Director Weinberg and second by Vice Chair Bressette, the Committee voted unanimously to: 1.) Direct staff to place the item on the agenda for the Executive Committee meeting of March 27, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee review the proposed changes, and 2.) Direct staff to place the item on the agenda for the Board of Directors meeting of March 27, 2014, with the Budget and Finance Committee's recommendation the Board of Directors approve the submitted changes to the Roles/Responsibilities/Authorities Matrix.

**7. FY 2013/14 Mid-year Budget Adjustments (F: 15.04)**

Assistant Chief Zeller introduced Accounting Manager Debbie Gunderson who provided an overview of the FY 2013/14 Mid-year Budget Adjustments.

On motion of Director Murray and second by Vice Chair Bressette, the Committee voted to: 1.) Direct staff to place the item on the agenda for the Executive Committee meeting of March 27, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee review the proposed FY 2013/14 Mid-year Budget Adjustments, and

2.) Direct staff to place the item on the agenda for the Board of Directors meeting of March 27, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Authorize the proposed mid-year budget adjustments.
2. Approve the proposed Schedule of Fund Balance.

Chair Swift and Director McCloskey voted in opposition to forwarding this item to the Executive Committee in addition to the Board of Directors.

## **REPORTS**

No items.

## **COMMITTEE MEMBER COMMENTS (F: 12.02B4)**

Chair Swift thanked Ex Officio Laguna Hills City Manager Bruce Channing for his attendance at today's meeting, and indicated the Committee welcomed his input. She also commented on an OC Register article regarding OCFA firefighters using Naloxone to help patients that have overdosed. She was proud that the antidote was available.

Ex Officio Laguna Hills City Manager Bruce Channing thanked Chair Swift and stated that normally he has a conflicting meeting with our regular Budget and Finance Committee meetings; however, the other meeting that was in conflict had cancelled.

Director McCloskey thanked Division Chief Brice for providing him a tour of all the Laguna Niguel fire stations. He indicated he was very impressed and enjoyed seeing the stations' comradery.

Director Murray encouraged everyone to attend the grand opening of new Fire Station 37 on March 27, 2014, at 10:00 a.m. He also thanked OCFA staff and his Budget and Finance Committee colleagues for their hard work.

**ADJOURNMENT** – Chair Swift adjourned the meeting at 12:53 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, April 9, 2014, at 12:00 noon.

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Sherry A.F. Wentz, CMC  
Clerk of the Authority

**DISCUSSION CALENDAR - AGENDA ITEM NO. 2**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**April 9, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Patricia Jakubiak, Treasurer

SUBJECT: **Monthly Investment Reports**

Summary:

This agenda item is submitted to the Committee in compliance with the investment policy of the Orange County Fire Authority and with Government Code Section 53646.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of April 24, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

Background:

Attached is the final monthly investment report for the month ended February 28, 2014. A preliminary investment report as of March 21, 2014, is also provided as the most complete report that was available at the time this agenda item was prepared.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contact for Further Information:

Patricia Jakubiak, Treasurer

[Triciajakubiak@ocfa.org](mailto:Triciajakubiak@ocfa.org)

(714) 573-6301

Attachment:

Final Investment Report – February 2014 / Preliminary Report – March 2014

# *Orange County Fire Authority Monthly Investment Report*



*Final Report – February 2014*

*Preliminary Report – March 2014*



## ***Monthly Investment Report Table of Contents***

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***Orange County Fire Authority***

***Final Investment Report***

***February 28, 2014***



**EXECUTIVE SUMMARY**

***Portfolio Activity & Earnings***

During the month of February 2014, the size of the portfolio decreased from \$135.5 million to \$121.2 million. Significant receipts for the month included apportionments of property taxes and various contract and grant payments totaling \$5.3 million. Significant disbursements for the month included primarily biweekly payrolls. The portfolio's balance is expected to stay about the same in the following month.

In February, the portfolio's yield to maturity (365-day equivalent) increased by 2 basis points to 0.31% while the effective rate of return increased by 5 basis points to 0.32% for the month and stayed unchanged at 0.32% for the fiscal year to date. The average maturity of the portfolio lengthened slightly by 9 days to 232 days to maturity.

***Economic News***

In February 2014, the U.S. economic activity appeared to improve slightly, although continued to be mixed overall. Employment activity picked up in February. There were a total of 175,000 new jobs created for the month, a stronger number than what had been forecasted. Unemployment conditions, on the other hand, remained elevated and edged up a notch to 6.7%. Manufacturing activity increased better than expected while the non-manufacturing sector declined, but its pace remained in expansion territory. Both retail sales and industrial production reversed and rose better than expected in February while consumer confidence stayed mixed. Housing activity continued to stay slow, but durable goods orders exceeded expectations for the month. Inflation remained tamed. The NFIB (National Federation of Independent Business) small business optimism index declined while the LEI (Leading Economic Index) rose. On March 19, 2014, at the second scheduled meeting of the Federal Open Market Committee for the calendar year 2014, the Committee voted to keep the federal funds rate unchanged at a target range of 0 – 0.25%. The Committee also decided to continue its gradual "tapering" pattern of its asset purchase program to \$55 billion per month from \$65 billion starting in April 2014.



**BENCHMARK COMPARISON AS OF FEBRUARY 28, 2014**

<i>3 Month T-Bill:</i> 0.05%	<i>1 Year T-Bill:</i> 0.12%
<i>6 Month T-Bill:</i> 0.08%	<i>LAIF:</i> 0.24%
<i>OCFA Portfolio:</i> 0.32%	

**PORTFOLIO SIZE, YIELD, & DURATION**

	<u><i>Current Month</i></u>	<u><i>Prior Month</i></u>	<u><i>Prior Year</i></u>
<i>Book Value-</i>	\$121,167,391	\$135,503,250	\$115,577,530
<i>Yield to Maturity (365 day)</i>	0.31%	0.29%	0.28%
<i>Effective Rate of Return</i>	0.32%	0.27%	0.31%
<i>Days to Maturity</i>	232	223	146



**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Summary**  
**February 28, 2014**

Orange County Fire Authority  
 1 Fire Authority Road  
 Irvine, Irvine, CA 92602  
 (714)573-6301

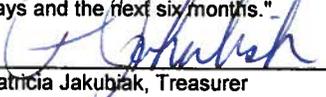
(See Note 1 on page 9)

(See Note 2 on page 9)

<b>Investments</b>	<b>Par Value</b>	<b>Market Value</b>	<b>Book Value</b>	<b>% of Portfolio</b>	<b>Term</b>	<b>Days to Maturity</b>	<b>YTM/C 360 Equiv.</b>	<b>YTM/C 365 Equiv.</b>
Money Mkt Mutual Funds/Cash	10,124,364.05	10,124,364.05	10,124,364.05	8.22	1	1	0.001	0.001
Federal Agency Coupon Securities	45,000,000.00	44,863,020.00	45,004,736.23	36.55	1,292	619	0.586	0.594
Federal Agency Disc. -Amortizing	27,000,000.00	26,999,730.00	26,998,547.50	21.93	99	27	0.071	0.072
Local Agency Investment Funds	41,000,000.00	41,011,792.42	41,000,000.00	33.30	1	1	0.233	0.236
<b>Investments</b>	<b>123,124,364.05</b>	<b>122,998,906.47</b>	<b>123,127,647.78</b>	<b>100.00%</b>	<b>494</b>	<b>232</b>	<b>0.307</b>	<b>0.312</b>
<b>Cash</b>								
Passbook/Checking (not included in yield calculations)	-1,479,557.10	-1,479,557.10	-1,479,557.10		0	0	0.000	0.000
<b>Total Cash and Investments</b>	<b>121,644,806.95</b>	<b>121,519,349.37</b>	<b>121,648,090.68</b>		<b>494</b>	<b>232</b>	<b>0.307</b>	<b>0.312</b>

<b>Total Earnings</b>	<b>February 28 Month Ending</b>	<b>Fiscal Year To Date</b>
Current Year	32,502.74	284,936.59
Average Daily Balance	132,008,053.76	132,208,088.56
Effective Rate of Return	0.32%	0.32%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2014. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

  
 Patricia Jakubiak, Treasurer      3/17/14

**Cash and Investments with GASB 31 Adjustment:**

Book Value of Cash & Investments before GASB 31 (Above)	\$ 121,648,090.68
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ (480,699.41)
<b>Total</b>	<b>\$ 121,167,391.27</b>

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**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**February 28, 2014**

(See Note 1 on page 9)

(See Note 2 on page 9)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
<b>Money Mkt Mutual Funds/Cash</b>											
SYS528	528	High Mark 100% US Treasury MMF		(See Note 4 on page 9)	10,124,364.05	10,124,364.05	10,124,364.05	0.001	0.001	1	
<b>Subtotal and Average</b>			<b>8,576,998.65</b>		<b>10,124,364.05</b>	<b>10,124,364.05</b>	<b>10,124,364.05</b>		<b>0.001</b>	<b>1</b>	
<b>Federal Agency Coupon Securities</b>											
3133ECBT0	799	Federal Farm Credit Bank (Callable anytime)		12/26/2012	9,000,000.00	9,000,090.00	9,000,000.00	0.375	0.375	482	06/26/2015
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,983,890.00	8,995,489.97	0.400	0.424	783	04/22/2016
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,980,680.00	6,000,000.00	1.000	0.981	1,257	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 3-9-14)		12/20/2012	9,000,000.00	8,898,120.00	9,010,871.63	1.000	0.883	8	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	12,000,000.00	12,000,240.00	11,998,374.63	0.470	0.477	737	03/07/2016
<b>Subtotal and Average</b>			<b>45,004,737.74</b>		<b>45,000,000.00</b>	<b>44,863,020.00</b>	<b>45,004,736.23</b>		<b>0.594</b>	<b>619</b>	
<b>Federal Agency Disc. -Amortizing</b>											
313385UF1	815	Fed Home Loan Bank		12/19/2013	9,000,000.00	9,000,000.00	8,999,805.00	0.060	0.062	13	03/14/2014
313385UV6	816	Fed Home Loan Bank		12/19/2013	9,000,000.00	8,999,910.00	8,999,460.00	0.080	0.082	27	03/28/2014
313385VK9	817	Fed Home Loan Bank		12/19/2013	9,000,000.00	8,999,820.00	8,999,282.50	0.070	0.072	41	04/11/2014
<b>Subtotal and Average</b>			<b>36,033,460.23</b>		<b>27,000,000.00</b>	<b>26,999,730.00</b>	<b>26,998,547.50</b>		<b>0.072</b>	<b>27</b>	
<b>Local Agency Investment Funds</b>											
SYS336	336	Local Agency Invstmt Fund			41,000,000.00	41,011,792.42	41,000,000.00	0.236	0.236	1	
<b>Subtotal and Average</b>			<b>42,392,857.14</b>		<b>41,000,000.00</b>	<b>41,011,792.42</b>	<b>41,000,000.00</b>		<b>0.236</b>	<b>1</b>	
<b>Total and Average</b>			<b>132,008,053.76</b>		<b>123,124,364.05</b>	<b>122,998,906.47</b>	<b>123,127,647.78</b>		<b>0.312</b>	<b>232</b>	

**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**February 28, 2014**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
<b>Money Mkt Mutual Funds/Cash</b>										
SYS10104	10104	American Benefit Plan Admin		07/01/2013	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2013	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank of California		07/01/2013	-1,764,557.10	-1,764,557.10	-1,764,557.10	(See Note 4 on page 9)	0.000	1
SYS361	361	YORK		07/01/2013	250,000.00	250,000.00	250,000.00		0.000	1
		<b>Average Balance</b>	<b>0.00</b>							<b>0</b>
<b>Total Cash and Investments</b>			<b>132,008,053.76</b>		<b>121,644,806.95</b>	<b>121,519,349.37</b>	<b>121,648,090.68</b>		<b>0.312</b>	<b>232</b>

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**ORANGE COUNTY FIRE AUTHORITY**  
**Aging Report**  
**By Maturity Date**  
**As of March 1, 2014**

Orange County Fire Authority  
 1 Fire Authority Road  
 Irvine, Irvine, CA 92602  
 (714)573-6301

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	( 03/01/2014 - 03/01/2014 )	6 Maturities	0 Payments	49,644,806.95	40.81%	49,644,806.95	49,656,599.37
Aging Interval:	1 - 30 days	( 03/02/2014 - 03/31/2014 )	2 Maturities	0 Payments	18,000,000.00	14.80%	17,999,265.00	17,999,910.00
Aging Interval:	31 - 60 days	( 04/01/2014 - 04/30/2014 )	1 Maturities	0 Payments	9,000,000.00	7.40%	8,999,282.50	8,999,820.00
Aging Interval:	61 - 91 days	( 05/01/2014 - 05/31/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	92 - 121 days	( 06/01/2014 - 06/30/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	122 - 152 days	( 07/01/2014 - 07/31/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	153 - 183 days	( 08/01/2014 - 08/31/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	( 09/01/2014 - 11/30/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	( 12/01/2014 - 03/01/2015 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	( 03/02/2015 - 02/28/2017 )	3 Maturities	0 Payments	30,000,000.00	24.66%	29,993,864.60	29,984,220.00
Aging Interval:	1096 - 1825 days	( 03/01/2017 - 02/28/2019 )	2 Maturities	0 Payments	15,000,000.00	12.34%	15,010,871.63	14,878,800.00
Aging Interval:	1826 days and after	( 03/01/2019 - )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
<b>Total for</b>			<b>14 Investments</b>	<b>0 Payments</b>		<b>100.00</b>	<b>121,648,090.68</b>	<b>121,519,349.37</b>



**NOTES TO PORTFOLIO MANAGEMENT REPORT**

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2013 includes an increase of \$13,660 to the LAIF investment and a decrease of \$(494,359) to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



## *Local Agency Investment Fund (LAIF)*

As of February 28, 2014, OCFA has \$41,000,000 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of December 31, 2013 is 1.00028762. When applied to OCFA's LAIF investment, the fair value is \$41,011,792 or \$11,792 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at February 28, 2014 is included on the following page.





***Orange County Fire Authority***  
***Preliminary Investment Report***  
***March 21, 2014***



**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Summary**  
**March 21, 2014**

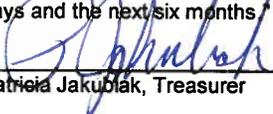
Orange County Fire Authority  
 1 Fire Authority Road  
 Irvine, Irvine, CA 92602  
 (714)573-6301

(See Note 1 on page 18)      (See Note 2 on page 18)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	15,181,391.77	15,181,391.77	15,181,391.77	11.72	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	8,000,000.00	7,996,560.00	7,998,142.22	6.18	92	76	0.110	0.112
Federal Agency Coupon Securities	29,333,333.33	29,098,256.66	29,338,944.37	22.65	1,455	622	0.679	0.688
Federal Agency Disc. -Amortizing	27,000,000.00	26,999,280.00	26,998,755.00	20.85	94	29	0.068	0.069
Local Agency Investment Funds	50,000,000.00	50,014,381.00	50,000,000.00	38.60	1	1	0.233	0.236
<b>Investments</b>	<b>129,514,725.10</b>	<b>129,289,869.43</b>	<b>129,517,233.36</b>	<b>100.00%</b>	<b>355</b>	<b>152</b>	<b>0.265</b>	<b>0.268</b>
<b>Cash</b>								
Passbook/Checking (not included in yield calculations)	1,062,651.91	1,062,651.91	1,062,651.91		1	1	0.000	0.000
<b>Total Cash and Investments</b>	<b>130,577,377.01</b>	<b>130,352,521.34</b>	<b>130,579,885.27</b>		<b>355</b>	<b>152</b>	<b>0.265</b>	<b>0.268</b>

Total Earnings	March 21 Month Ending	Fiscal Year To Date
Current Year	23,226.38	308,162.97
Average Daily Balance	127,285,547.22	131,816,522.77
Effective Rate of Return	0.32%	0.32%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2014. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

  
 Patricia Jakubak, Treasurer      3/28/14

**Cash and Investments with GASB 31 Adjustment:**

Book Value of Cash & Investments before GASB 31 (Above)	\$ 130,579,885.27
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$ (480,699.41)
<b>Total</b>	<b>\$ 130,099,185.86</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**March 21, 2014**

(See Note 1 on page 18) (See Note 2 on page 18)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
<b>Money Mkt Mutual Funds/Cash</b>											
SYS528	528	High Mark 100% US Treasury MMF			15,181,391.77	15,181,391.77	15,181,391.77	0.001	0.001	1	
<b>Subtotal and Average</b>			<b>8,394,649.03</b>		<b>15,181,391.77</b>	<b>15,181,391.77</b>	<b>15,181,391.77</b>		<b>0.001</b>	<b>1</b>	
<b>Commercial Paper Disc. -Amortizing</b>											
36959JF65	818	GEN ELEC CAP CRP		03/06/2014	8,000,000.00	7,996,560.00	7,998,142.22	0.110	0.112	76	06/06/2014
<b>Subtotal and Average</b>			<b>6,093,682.96</b>		<b>8,000,000.00</b>	<b>7,996,560.00</b>	<b>7,998,142.22</b>		<b>0.112</b>	<b>76</b>	
<b>Federal Agency Coupon Securities</b>											
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,975,610.00	8,995,612.81	0.400	0.424	762	04/22/2016
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,949,180.00	6,000,000.00	1.000	0.981	1,236	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 4-9-14)		12/20/2012	9,000,000.00	8,843,780.00	9,010,699.72	1.000	0.883	18	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	5,333,333.33	5,329,706.66	5,332,631.84	0.470	0.477	716	03/07/2016
<b>Subtotal and Average</b>			<b>36,655,612.37</b>		<b>29,333,333.33</b>	<b>29,098,256.66</b>	<b>29,338,944.37</b>		<b>0.688</b>	<b>622</b>	
<b>Federal Agency Disc. -Amortizing</b>											
313385UV6	816	Fed Home Loan Bank		12/19/2013	9,000,000.00	9,000,000.00	8,999,880.00	0.080	0.082	6	03/28/2014
313385VK9	817	Fed Home Loan Bank		12/19/2013	9,000,000.00	8,999,910.00	8,999,650.00	0.070	0.072	20	04/11/2014
313385XD3	819	Fed Home Loan Bank		03/13/2014	9,000,000.00	8,999,370.00	8,999,225.00	0.050	0.051	62	05/23/2014
<b>Subtotal and Average</b>			<b>27,427,317.14</b>		<b>27,000,000.00</b>	<b>26,999,280.00</b>	<b>26,998,755.00</b>		<b>0.069</b>	<b>29</b>	
<b>Local Agency Investment Funds</b>											
SYS336	336	Local Agency Invstmnt Fund			50,000,000.00	50,014,381.00	50,000,000.00	0.236	0.236	1	
<b>Subtotal and Average</b>			<b>48,714,285.71</b>		<b>50,000,000.00</b>	<b>50,014,381.00</b>	<b>50,000,000.00</b>		<b>0.236</b>	<b>1</b>	
<b>Total and Average</b>			<b>127,285,547.22</b>		<b>129,514,725.10</b>	<b>129,289,869.43</b>	<b>129,517,233.36</b>		<b>0.268</b>	<b>152</b>	

**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**March 21, 2014**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
<b>Money Mkt Mutual Funds/Cash</b>										
SYS10104	10104	American Benefit Plan Admin		07/01/2013	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2013	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank of California		07/01/2013	777,651.91	777,651.91	777,651.91		0.000	1
SYS361	361	YORK		07/01/2013	250,000.00	250,000.00	250,000.00		0.000	1
		<b>Average Balance</b>	<b>0.00</b>							<b>1</b>
<b>Total Cash and Investments</b>			<b>127,285,547.22</b>		<b>130,577,377.01</b>	<b>130,352,521.34</b>	<b>130,579,885.27</b>		<b>0.268</b>	<b>152</b>

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**ORANGE COUNTY FIRE AUTHORITY**  
**Aging Report**  
**By Maturity Date**  
**As of March 22, 2014**

Orange County Fire Authority  
 1 Fire Authority Road  
 Irvine, CA 92602  
 (714)573-6301

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	( 03/22/2014 - 03/22/2014 )	6 Maturities	0 Payments	66,244,043.68	50.73%	66,244,043.68	66,258,424.68
Aging Interval:	1 - 30 days	( 03/23/2014 - 04/21/2014 )	2 Maturities	0 Payments	18,000,000.00	13.78%	17,999,530.00	17,999,910.00
Aging Interval:	31 - 60 days	( 04/22/2014 - 05/21/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	61 - 91 days	( 05/22/2014 - 06/21/2014 )	2 Maturities	0 Payments	17,000,000.00	13.02%	16,997,367.22	16,995,930.00
Aging Interval:	92 - 121 days	( 06/22/2014 - 07/21/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	122 - 152 days	( 07/22/2014 - 08/21/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	153 - 183 days	( 08/22/2014 - 09/21/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	( 09/22/2014 - 12/21/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	( 12/22/2014 - 03/22/2015 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	( 03/23/2015 - 03/21/2017 )	2 Maturities	0 Payments	14,333,333.33	10.97%	14,328,244.65	14,305,316.66
Aging Interval:	1096 - 1825 days	( 03/22/2017 - 03/21/2019 )	2 Maturities	0 Payments	15,000,000.00	11.50%	15,010,699.72	14,792,940.00
Aging Interval:	1826 days and after	( 03/22/2019 - )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
<b>Total for</b>			<b>14 Investments</b>	<b>0 Payments</b>		<b>100.00</b>	<b>130,579,885.27</b>	<b>130,352,521.34</b>



**NOTES TO PORTFOLIO MANAGEMENT REPORT**

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2013 includes an increase of \$13,660 to the LAIF investment and a decrease of \$(494,359) to the remaining investments.
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**DISCUSSION CALENDAR – AGENDA ITEM NO. 3**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**April 9, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Monthly Status Update - Orange County Employees' Retirement System**

Summary:

This agenda item is submitted to provide a status update regarding steps taken during March 2014, to improve the Orange County Employees' Retirement System's (OCERS) financial policies, procedures, and practices.

Recommended Action:

Receive and file the report.

Background:

In 2010 and 2011, accounting issues were identified at OCERS impacting actuarial calculations of the value of assets and liabilities attributable to the various plan sponsors. The total accounting values at OCERS were correct, but the attribution of values to individual plan sponsors required adjustment. A large amount of work was performed by OCERS and plan sponsor staff members to correct the issues, and ongoing improvement plans were established by OCERS. Following these events, the OCFA's Budget and Finance Committee directed OCFA staff to provide routine updates to the Committee regarding financial activities occurring at OCERS.

*Actions Taken/Financial Policies & Practices – March 2014*

**OCERS BOARD OF RETIREMENT March 17, 2014:**

**FUNDING POLICY – PAYROLL BASIS FOR UAAL EMPLOYER CONTRIBUTIONS**

This item is a continuation from the November 18, 2013 OCERS Board meeting (Attachment 1). An employer's contribution payment, which includes a cost to pay off the employer's total Unfunded Actuarial Accrued Liability (UAAL), is calculated as a percentage of the employer's annual payroll. The actuary assumes that payroll will grow by 3.75% each year. What if the employer's payroll doesn't grow as anticipated, which has been the case in recent years due to the Great Recession? When that occurs, the OCERS fund will not have received the total anticipated payment in that particular year to apply towards the employer's UAAL, and thus the UAAL will grow by that incremental amount.

At the start of the year the OCERS Board began looking at ways to get all of the anticipated UAAL contribution paid in a given year, even if salary growth did not occur as assumed. The initial concept was a simple one - if a certain dollar amount was anticipated in a given year, and that amount was not totally paid by the end of the year, a “true up” cost could be charged to the plan sponsor at the end of the calendar year. The County of Orange was concerned with that option, as it would not be practical to send “true up” bills at year-end to the county employees who have been paying the UAAL for the [2.7% @ 55](#) retroactive benefit increase by means of the “reverse pick up” mechanism, and covering any UAAL shortfalls through the normal amortization process.

Since there was no cost benefit with the alternate option, OCERS’ actuary did not recommend that option. The OCERS Board agreed and voted to keep the current practice in place.

OCFA staff will continue to monitor actions taken by OCERS to improve its financial policies and practices, and will report back in May regarding progress made during the next month.

Impact to Cities/County:

Not applicable.

Staff Contacts for Further Information:

Lori Zeller, Assistant Chief/Business Services Department

[LoriZeller@ocfa.org](mailto:LoriZeller@ocfa.org)

(714) 573-6020

Tricia Jakubiak, Treasurer

[TriciaJakubiak@ocfa.org](mailto:TriciaJakubiak@ocfa.org)

(714) 573-6301

Attachment:

OCERS’ Memorandum on Funding Policy – Payroll Basis for UAAL Employer Contributions, March 4, 2014 and Presentation by the Segal Group: Follow-up Discussions on Percent of Payroll Amortization Policy, March 17, 2014

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**

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**MEMORANDUM**

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**DATE:** March 4, 2014  
**TO:** Members, Board of Retirement  
**FROM:** Brenda Shott, Assistant CEO Finance and Internal Operations  
**SUBJECT: FUNDING POLICY - PAYROLL BASIS FOR UAAL EMPLOYER CONTRIBUTIONS**

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**Recommendation:**

Take appropriate action.

**Background:**

The Board of Retirement approved OCERS Actuarial Funding Policy in November 2013. OCERS Actuarial Funding Policy includes utilizing a level percent of payroll when amortizing the Unfunded Actuarial Accrued Liability (UAAL).

One assumption used by the actuary to calculate contribution rates is that total employer payroll will rise by 3.75% each year. Thus, at the start of a fiscal year, a given plan sponsor's base payroll will be assumed to have grown by 3.75% by the end of the year (through a combination of salary and merit increases, and replacement of employees who terminate employment during the year) when compared to the prior year. The UAAL payment expected to be collected in the following fiscal year based on the Board's approved amortization policy is initially calculated as a dollar amount. The UAAL payment is then incorporated into the calculated contribution rate; which, per OCERS Actuarial Funding Policy, is stated as a percentage of payroll.

What if a plan sponsor's payroll does not grow as anticipated? At the end of the fiscal year less employer contributions would have been collected for UAAL payments than were assumed and anticipated. That shortfall (to be referred to as a contribution loss) is rolled into any existing UAAL at the end of the fiscal year and becomes a component of the plan sponsors UAAL costs in the future. Currently, this type of actuarial loss would be amortized over twenty years.

During the November 18 OCERS Board consideration of its Actuarial Funding Policy, Mr. Angelo of The Segal Company briefly touched on a possible funding policy modification, a process or mechanism that could be employed to ensure that contribution losses do not lead to a short term growth of the UAAL. Mr. Angelo noted that there were options that could serve as the basis for a funding policy that charges the employer "the greater of:

- UAAL contribution rate on actual payroll for the fiscal year
- UAAL payment dollar amount as determined in valuation”

At the request of Mr. Lindholm, with concurrence by Board Chair Flanigan, the Board continued discussion of this concept at the December 2013 Board meeting. During, the Board’s discussion representatives from the County of Orange requested that, should the Board decide to pursue this type of process or policy amendment, that the implementation plan be vetted first with plan sponsors to ensure all administrative concerns could be properly vetted and addressed. The Board concurred with the request and directed OCERS staff to work with plan sponsors to develop a potential solution that would address concerns raised and to return to the Board for further discussion and policy decision in March, 2014.

Since that time, staff has met with County staff, had follow up discussions with County staff and OCERS actuary on potential options for implementation and had a discussion with all plan sponsors attending the monthly Financial Update meeting held by OCERS in February to review the potential option. Should the Board decide to approve a funding policy amendment that calls for plan sponsors to pay the greater of UAAL contributions based on actual payroll or the dollar amount as determined in the valuation, staff and plan sponsors determined the following in regards to implementing such a plan/policy:

- It is necessary to continue collecting the UAAL portion of contributions as a percentage of payroll (flat dollar UAAL payments will not work administratively for plan sponsors, it especially becomes unmanageable for those employers who have implemented a “reverse pick up” of contributions)
- Do not implement the “greater of” concept on a bi-weekly basis as this causes significant hurdles for payroll departments and the OCERS pension system. It is not possible for the County to implement it in this manner given the “reverse pick-up” arrangements they have with employees.
- A true-up of UAAL payments based on the “greater of” concept could be done when total payroll is LESS than the Actuary’s Projected Payroll on an annual basis
  - Payroll amounts should be compared on a fiscal year basis.
  - Include contribution losses into the next year’s valuation
  - Using a one year amortization period as a percentage of payroll for the true-up amount will limit the cost of paying this portion of UAAL and will aide in limiting future growth of UAAL.
  - Any difference between projected payroll and actual payroll for the true-up year will have an immaterial impact for the original loss being amortized over one year (that is to say – there would be no need to “true-up the “true-up”).

The process above would result in a single year’s shortfall in UAAL payment due to actual payroll not meeting the actuary’s assumed payroll growth to be paid off beginning 24 months after the end of the fiscal year that the loss occurred. Although this is longer than an immediate year-end true-up and would include some interest costs, it would significantly shorten the payoff of contribution losses from 20 years to 1 year (where both the 20 and the 1 year periods commence after the 2-year lag between the period of the contribution shortfall and the

implementation of the resulting higher UAAL contribution rates under both the current and the modified approaches).

Although this process minimizes administrative concerns related to the policy amendment being discussed, it is important to note that implementing such a process introduces another complication into the system and into the annual actuarial valuation process. Currently, the only two other California public pension systems that adjust for this issue both use a much simpler version of this concept. Both of the systems which do so only have one plan sponsor and the plan sponsor is able to true up soon after year end, without adding any additional complications to their annual actuarial valuation.

Segal will be present at the March 17, 2014 Board meeting to discuss this concept of payroll basis for UAAL employer contributions and the proposed implementation method should the Board decide to move forward with such a policy amendment. Their presentation slides are attached.

**Submitted by:**



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Brenda Shott  
Assistant CEO, Finance and Internal Operations

## Orange County Employees Retirement System

# Follow-up Discussions on Percent of Payroll Amortization Policy

**March 17, 2014**

*Paul Angelo, FSA, MAAA, FCA  
Senior Vice President and Actuary  
The Segal Group*

5299230v3

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## **Level Percent of Payroll Amortization**

- Unfunded Actuarial Accrued Liability (UAAL) is amortized (paid off) as a level percent of an increasing payroll
- Recent Issue: Shortfall in UAAL contributions when payroll increases less than assumed (currently 3.75%)
  - Policy could require full UAAL payment
    - For fiscal year starting 18 months after valuation date
  - Charge the employer the greater of
    - UAAL contribution rate on actual payroll for the fiscal year (i.e., current method) OR
    - UAAL payment dollar amount as determined in the valuation
    - “Greater of” method used by City of San Jose and Mendocino CERA

# **Level Percent of Payroll Amortization**

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- Possible administrative issues for OCERS
  - Determining payment amounts for Rate Groups with multiple employers
  - Coordinate with employer pre-payments and “true-ups”
    - Currently “true-up” used when pre-payments are based on estimated payroll
    - End of year “true-up” payment based on actual payroll
- Issue raised by employers if true-up used for UAAL contribution shortfall
  - Difficult for employers to budget and make up for the shortfall in the same fiscal year

## Level Percent of Payroll Amortization

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- Current policy for actuarial loss from UAAL contribution shortfall
  - Identified in the calendar year (Dec. 31) valuation 6 months after the end of fiscal year when shortfall occurred
    - Loss will be amortized over 20 years
    - First of those 20-year payments made in the fiscal year that begins 18 months after that Dec. 31 the valuation
- Alternative approach discussed with employers
  - Continue to identify UAAL contribution shortfall for a fiscal year in the calendar year (Dec. 31) valuation 6 months after the end of the fiscal year
    - Loss will be “amortized” over 1 year
    - 1-year payment made in the fiscal year that begins 18 months after the Dec. 31 valuation  
(i.e., same time as first of 20-year payments under current policy)

## Illustrative Example of Alternative Approach

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- 12/31/2012 valuation uses projected 2013 annual comp.
  - Projected using 3.75% wage increase plus merit and promotion increase assumptions
- 12/31/2012 valuation provides recommended employer UAAL contribution rate for fiscal year 2014/2015
  - Starts with scheduled UAAL payment amount (which assumes 3.75% payroll growth during entire 20-year amortization period)
  - UAAL contribution rate is scheduled UAAL contribution amount divided by projected 2013 annual comp.
  - Estimated UAAL contribution amount in valuation report is the UAAL contribution rate times the projected 2013 annual comp.
    - So estimated UAAL contribution amount equals the original scheduled UAAL payment amount
- Currently, actual UAAL payment amount is UAAL contribution rate times actual 2014/2015 payroll
  - After true-up if contributions are pre-paid

## Illustrative Example of Alternative Approach

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- No change in scheduled UAAL payment amount, UAAL contribution rate or estimated UAAL contribution amount
- Employer will contribute the greater of
  - (1) Estimated UAAL payment amount calculated in the 2012 valuation and
  - (2) UAAL contribution rate times the actual compensation for fiscal year 2014/2015
    - Note this (2) amount is included in original employer contribution
- If (2) is less than (1)
  - This 2014/2015 UAAL contribution shortfall [(1) - (2)] will be identified in 12/31/2015 valuation and collected in full in fiscal year 2017/2018
    - Same timing as other contribution rates from 2015 valuation
    - Difference from current practice is that the UAAL contribution shortfall is collected in full during 2017/2018, rather than amortized along with other actuarial gains and losses

## Illustrative Example of Alternative Approach

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- Hypothetical results based on Rate Group #8 (2012 valuation)
  - Estimated annual UAAL contribution amount in 2012 valuation
    - Scheduled UAAL payment amount: \$30 million
    - UAAL contribution rate is 26.84%  
= \$30 million/ \$112 million projected payroll
  - Suppose actual wage increase is 0% instead of 3.75% assumed in projecting 2013 annual compensation
    - Resulting actual compensation for fiscal year 2014/2015 would be \$108 million (instead of \$112 million projected payroll in 2012 valuation)
    - Actual UAAL payment amount: \$29 million (26.84% x \$108 million)
  - \$1 million UAAL contribution shortfall identified in the 12/31/2015 valuation
    - The 12/31/2015 UAAL contribution rate increases by 0.97% of pay
    - Collected in full during 2017/2018
    - Under current policy: increase in UAAL contribution rate is 0.07%, paid over 20 years starting in 2017/2018

# Increase in 2017/2018 Employer UAAL Contribution Rates from 2014/2015 Contribution Shortfalls

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	Contribution Rate Increase* Under Alternative Approach <u>(% of payroll)</u>	Contribution Rate Increase* Under Current Policy <u>(% of payroll)</u>
Rate Group #1	0.47%	0.03%
Rate Group #2	0.93%	0.07%
Rate Group #3	0.92%	0.06%
Rate Group #5	0.59%	0.04%
Rate Group #9	0.46%	0.03%
Rate Group #10	0.90%	0.06%
Rate Group #11	0.41%	0.03%
Rate Group #6	0.79%	0.06%
Rate Group #7	1.13%	0.09%
Rate Group #8	0.97%	0.07%

\* Assuming actual 2014/2015 payroll is 3.75% less than projected 2013 annual compensation used in 12/31/2012 valuation



**DISCUSSION CALENDAR - AGENDA ITEM NO. 4**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**April 9, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Janet Wells, Interim Human Resources Director

SUBJECT: **Annual Complaint Investigation Hotline Report – Calendar Year 2013**

Summary:

This agenda item is submitted to provide the Committee with an annual summary of activity that occurred with the OCFA's complaint investigation hotline during 2013.

Recommended Action:

Receive and file the report.

Background:

The OCFA implemented the internal complaint investigation hotline (the "Hotline") in December 2011 for employees to utilize for reporting concerns that they believe should be investigated. The Hotline is hosted by an external vendor, Ethics Point, and employees may submit reports to the Hotline by either phone or internet. Further, employees may remain anonymous when submitting their reports, if desired.

The implementation plan that was created with the Hotline calls for OCFA staff to provide an annual report to the Human Resource Committee each January, summarizing the number of reports filed and status or disposition of cases. In addition, the implementation plan calls for staff to report to the full Board of Directors regarding individual Hotline cases, as necessary based on the nature of findings that may result from the investigation.

The Hotline is primarily administered by the Fire Chief, with secondary support provided by the Director of Human Resources, and legal guidance provided by General Counsel.

The second year of operations with the Hotline resulted in the following caseload:

<b>Case Status</b>	<b>Annual Period Ending December 31, 2013</b>
Beginning Caseload (Note)	1
New Cases Open	5
Cases Closed (Investigation completed and response issued)	6
Ending Caseload (Cases remaining from reporting period)	0

The one case that carried over from the 2012 calendar year was related to the investigation pertaining to Fire Prevention Fees for the hazardous materials disclosure program activities.

<b>Conclusion of Cases Closed</b>	<b>December 31, 2013</b>	
Actionable*	4	67%
Not Actionable	2	33%
Not Investigated	0	0%
Cases Closed	6	100%

\* An actionable case does not necessarily indicate that there was a finding of fraud, but does potentially evidence a failure to properly perform the duties of the position.

Each of the actionable cases were separate issues, and as a result, the following actions were taken:

<b>Actions Taken</b>
Employee Counseling
Procedures and Internal Controls Changed or Reinforced
Training

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

The annual cost for the Ethics Point hotline service is \$3,800.

Staff Contacts for Further Information:

Janet Wells. Interim Director of Human Resources

[janetwells@ocfa.org](mailto:janetwells@ocfa.org)

(714) 573-6801

Keith Richter, Fire Chief

[keithrichter@ocfa.org](mailto:keithrichter@ocfa.org)

(714) 573-6010

Attachments:

None.

**DISCUSSION CALENDAR - AGENDA ITEM NO. 5**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**April 9, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Janet Wells, Interim Human Resources Director

SUBJECT: **Third Quarter Workers' Compensation Program Update – *December 2013 through February 2014***

Summary:

This agenda item is submitted to provide a workers' compensation program update for the third quarter of FY 2013/14.

Recommended Action:

Receive and file the report.

Background:

The Quarterly Workers' Compensation Program Update includes claims expenditures, number of newly opened and total outstanding claims, number of closed claims, and number of claims approved by the Claims Settlement Committee.

Impact to Cities/County:

Not Applicable

Fiscal Impact:

Not Applicable

Staff Contact for Further Information:

Rhonda Haynes, Risk Management Analyst

[rhondahaynes@ocfa.org](mailto:rhondahaynes@ocfa.org)

(714) 573-6333

Attachment:

Third Quarter Workers' Compensation Program Update – *December 2013 to February 2014*



## Workers' Compensation Quarterly Update

### Workers' Compensation Activity Update:

During this quarter the Third Party Administration (TPA) contract remained pending as the incumbent protested the RFP process delaying the transition of the award. A second RFP for TPA of insurance run-off claims was launched on December 5, 2013 and closed on December 30, 2013 based on the list of six (6) approved vendors provided by Travelers Insurance. The two (2) TPA contracts were approved at the March 27, 2014 Executive Committee meeting. Cannon Cochran Management Services, Inc. (CCMSI) was awarded the contract for TPA of insurance run-off claims and CorVel Corporation was awarded the contract for TPA of the OCFA self-insured workers' compensation program.

Below is a list of the claims activity that occurred during the period of December 2013 – February 2014.

### Monthly Claims Expenditures:

December 2013- \$681,565.96

January 2014- \$745,795.71

February 2014- \$658,092.84

### Number of New Open /Total Outstanding Claims:

December 2013- 57- new open/860-outstanding

January 2014- 29- new open/872-outstanding

February 2014- 41- new open/868-outstanding

### Number of Closed Claims:

December 2013- 21 closed

January 2014- 49 closed

February 2014- 53 closed

### Number of Claims Approved by Claims Settlement Committee:

December 2013- 1 claim

January 2014- no meeting

February 2014- 2 claims