Contra Costa County Employees' Retirement Association

AGENDA

RETIREMENT BOARD MEETING

REGULAR MEETING September 27, 2023 9:00 a.m.	Board Conference Room 1200 Concord Avenue, Suite 350 Concord, California

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

1. Pledge of Allegiance.

2. Public Comment (3 minutes/speaker).

CONSENT ITEMS

3.A All Consent Items are to be approved by one action unless a Board Member requests separate action on a specific item. (Action Item)

   I. Approve minutes from the August 23, 2023 meeting. (Action Item)

   II. Consider and take possible action to authorize the Acting CEO to extend the Brown Armstrong auditing services contract for a two-year period, as recommended by the Audit Committee. (Action Item)

3.B Consider and take possible action on Consent Items previously removed, if any. (Action Item)

CLOSED SESSION

4. PUBLIC EMPLOYMENT (Gov. Code § 54957(b))
   Title: Chief Executive Officer

OPEN SESSION

5. Consider and take possible action to authorize retention of a consultant to assist with CEO recruitment. (Action Item)

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

6. Review of real estate investment performance and pacing recommendation. (Presentation Item)

7. Pension administration system project update: (Presentation Item)
   a. Update from staff
   b. Presentation from Segal
   c. Presentation from Sagitec

8. Report from Audit Committee Chair on the September 13, 2023 Audit Committee meeting. (Presentation Item)

9. Presentation of the Contra Costa County Treasurer-Tax Collector employer audit report. (Presentation Item)

10. Presentation of the Contra Costa County Veterans Service Office employer audit report. (Presentation Item)

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

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Contra Costa County Employees' Retirement Association

RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING
August 23, 2023
9:00 a.m.

Board Conference Room
1200 Concord Avenue, Suite 350
Concord, California

BOARD MEMBER CANDACE ANDERSEN PARTICIPATED IN THE BOARD MEETING VIA TELECONFERENCE AT THE LOCATION LISTED BELOW.

TELECONFERENCE LOCATION:
1516 KAMOLE STREET
HONOLULU, HI 96821

Present: Candace Andersen, Dennis Chebotarev, Donald Finley, Scott Gordon, Jerry Holcombe, Louie Kroll, Jay Kwon, David MacDonald, John Phillips, Mike Sloan, Russell Watts, and Samson Wong

Absent: None

Staff: Christina Dunn, Acting Chief Executive Officer; Timothy Price, Chief Investment Officer; Karen Levy, General Counsel; Wrally Dutkiewicz, Compliance Officer; Cherry Chang, Internal Auditor; Jasmine Lee, Member Services Manager; Erica Grant; Henry Gudino, Accounting Manager; Erika McIntosh, Administrative Services Manager; and Son Lu, IT Manager

Outside Professional Support:	Representing:
Scott Whalen	Verus

1. Pledge of Allegiance

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

2. Accept comments from the public

No member of the public offered comment.

3A. Consent Item

It was **M/S/C** to approve all consent items of the August 23, 2023 meeting. (Yes: Andersen, Chebotarev, Gordon, Holcombe, Kroll, MacDonald, Phillips, Watts, and Wong).

3B. Consider and take possible action on Consent Items previously removed, if any

No consent items were removed.

CLOSED SESSION

The Board moved into Closed Session pursuant to Govt. Code Section 54957.6 and 54957 (b).

The Board moved into open session.

4. Closed Session pursuant to Govt. Code Section 54957.6 and 54957 (b)

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

b. There was no reportable action related to Govt. Code Section 54957 (b).

5. Review of total portfolio performance for period ending June 30, 2023

a. Presentation from Verus
Whalen reviewed CCCERA's investment fund performance for the period ending June 30, 2023.

b. Presentation from staff
Price reviewed CCCERA's sub-portfolios noting fund is performing as expected.

Chebotarev was not present for subsequent discussion and voting.

6. Review of Portfolio Rebalancing Report

Price reviewed the portfolio rebalancing report.

7. Update on private equity allocations

Price gave an update on private equity allocations.

8. Pension administration system project update from staff

Dunn gave an update on the pension administration system project.

9. Consider authorizing the attendance of Board:

a. It was **M/S/C** to authorize the attendance of up to 12 Board members at the SACRS Fall Conference, November 7-10, 2023, Rancho Mirage, CA. (Yes: Andersen, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips, Watts, and Wong).

10. <u>Miscellaneous</u>

a. Staff Report – Dunn reported ICON Consulting was purchased by Linea Solutions and noted that the sale will have no impact on CCCERA or the pension administration project. She also updated the Board on the triennial process to survey the key Professional Consultants and stated the GASB 68 report has been received and will be on a future agenda.

b. Outside Professionals' Report – None

c. Trustees' Comments – Gordon announced that the City of Dixon will be honoring Dr. MacDonald by naming the Northwest Park after him for his actions 42 years ago.

It was **M/S/C** to adjourn the meeting. (Yes: Andersen, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips, Watts, and Wong)

Scott W. Gordon, Chairperson	Jerry R. Holcombe, Secretary

Meeting Date
09/27/2023
Agenda Item
#3.A-II

Contra Costa County Employees'
Retirement Association

MEMORANDUM

Date: September 27, 2023

To: CCCERA Board of Retirement

From: John Phillips, Chairperson, CCCERA Board of Retirement Audit Committee

Subject: Consider and take possible action to authorize the Acting CEO to extend the Brown Armstrong auditing services contract for a two-year period.

Background

On October 19, 2017, CCCERA issued a Request For Proposal for Professional Auditing Services for the three fiscal years 2017-2019. On January 10, 2018, the Audit Committee recommended to the full Board that Brown Armstrong be selected as the External Auditor with an option to extend for another three years (2020-2022) if services were satisfactory. On September 9, 2020, that option was exercised.

The contract and extension have been exhausted with the conclusion of the 2022 audit work. After discussions and consideration, upon the rotation of the auditing partner, the audit committee is recommending to extend the contract with Brown Armstrong to provide auditing services for the 2023 and 2024 fiscal years. Brown Armstrong has served successfully as CCCERA's external auditor for twenty years and their extensive knowledge of CCCERA and CERL systems provides value to CCCERA during this time of transition.

The bid proposal received from Brown Armstrong includes both audit services and GASB 68 reporting for employers. The proposal includes a 5% increase from the previous contract. The new contract proposal, with the 5% adjustment, is $67,680 with any travel-related costs billed separately on an as-needed basis.

Recommendation

Consider and take possible action to authorize the Acting CEO to extend the Brown Armstrong auditing services contract for a two-year period, as recommended by the Audit Committee.

Meeting Date
09/27/2023
Agenda Item
#6

PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS

SEPTEMBER 2023

Private Real Estate Review

Contra Costa County Employees' Retirement Association

Table of contents

Verus

VERUSINVESTMENTS.COM

SEATTLE 206.622.3700
CHICAGO 312.815.5228
PITTSBURGH 412.784.6678
LOS ANGELES 310.297.1777
SAN FRANCISCO 415.362.3484

Executive Summary

— CCCERA's private real estate program has performed roughly in line with expectations with varying levels of performance across GPs.

— Our proprietary pacing model estimates future annual commitments of approximately $400-$450 million are required to meet long-term allocation goals.

— Current market conditions favor light industrial, multi-family housing, and non-traditional sectors.

— CCCERA also maintains a public REIT allocation, which provides additional exposure to the asset class as the private program ramps up; a recent increase in the REIT allocation includes positions in non-traditional sectors.

Market review

Performance – recent history

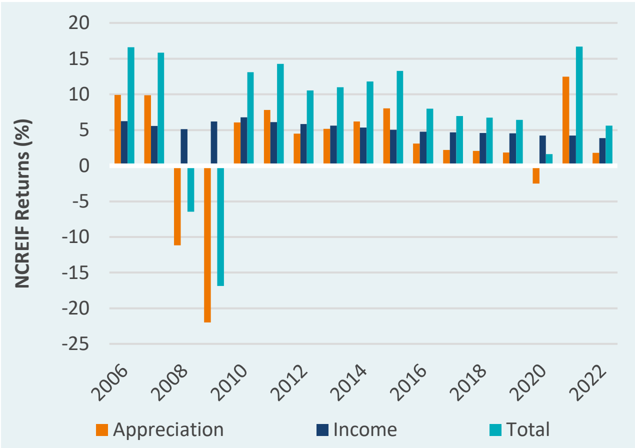
— Core real estate (NFI-ODCE Index) was up 7.5% in 2022, primarily due to a strong start to the year in the first two quarters. The momentum has shifted however as rising interest rates have put downward pressure on valuations. Returns turned negative in 4Q'22 (-5.0%) and continued in 1Q'23 (-3.3%). We expect further write-downs to hit core real estate funds in 2023.

— Property-type sector dispersion remained high in 2022 with industrial (+14.6%) and multifamily (+7.1%) leading the way. Office and retail were the laggards with office turning negative at -3.4%.

— Public real estate securities (REITs) were early to recognize the changing landscape within real estate. In 2022, REITs were down 26.9% (Wilshire REIT Index). Valuations have rebounded a little in early 2023 with REITs returning a positive 2.3% in 1Q'23.

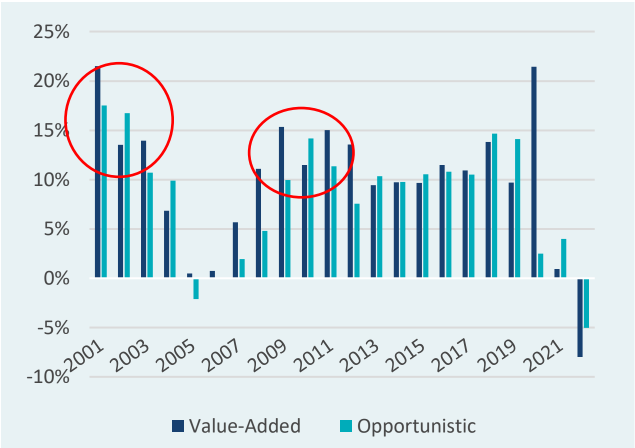
— Non-core real estate vintage funds have historically outperformed during recessionary years and early recovery periods (e.g., 2000-2003 and 2009-2011) as market dislocations created attractive entry valuations. Given the recent stress in the market, current non-core vintages could be attractive, especially opportunistic strategies with a focus on distress.

NCREIF PROPERTY INDEX RETURNS (CORE)



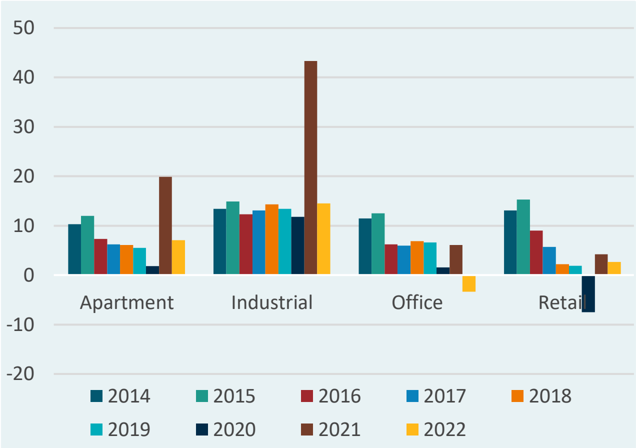
Source: NCREIF, as of 12/31/22

VINTAGE YEAR MEDIAN RETURN (%)
NON-CORE REAL ESTATE



Source: Thomason Reuters, as of 9/30/22

CORE SECTOR ANNUAL RETURNS (%)

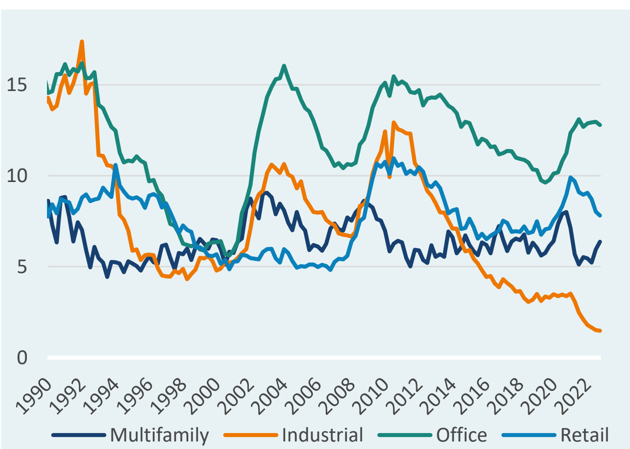


Source: NCREIF, as of 12/31/22

Fundamentals

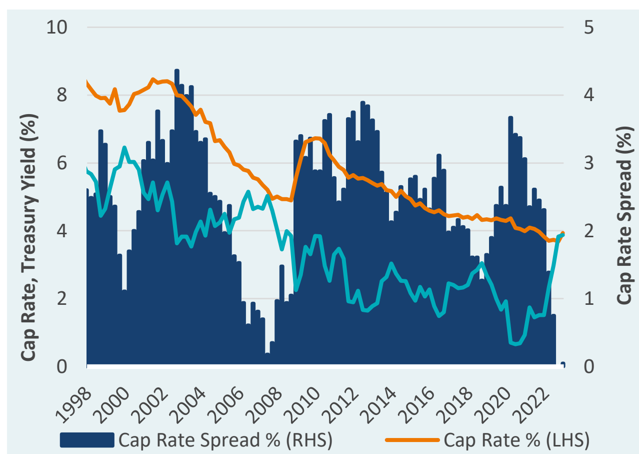
- Private real estate fundamentals have remained relatively steady in terms of vacancy rates and rental growth, with the office sector being a notable exception.
- Cap-rate spreads, however, have shrunk to zero as cap rates have yet to fully adjust to the higher interest rate environment. While cap rates and interest rates do not trade in lock step over shorter time periods, they generally correlate with each other over the long run. Since mid 2022, interest rates have climbed 2.5%, while cap rates have climbed only 0.5%. The valuation process tends to lag, and we expect upward pressure on cap rates to continue through 2023.
- Vacancy rates for office have stayed elevated as the sector remains under pressure from continued work from home trends. Vacancy rates for industrial, retail and multifamily remain low, although there has been an uptick over the last couple of quarters.
- NOI growth has come down from the highs of 2021 and early 2022 but remain positive for all sectors including office, although office has been bouncing around zero.

VACANCY BY PROPERTY TYPE



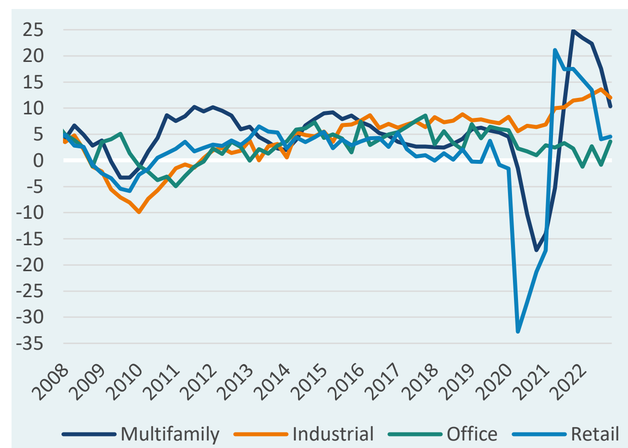
Source: NCREIF, as of 12/31/22

CAP RATE SPREADS



Source: FRED, NCREIF, as of 12/31/22

4-QTR ROLLING NOI GROWTH (%) BY PROPERTY TYPE



Source: NCREIF, as of 12/31/22

New supply and absorption

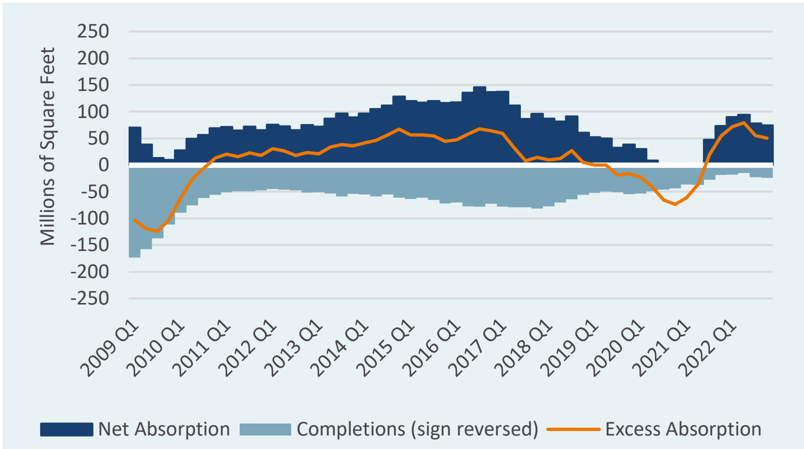
Demand has declined recently while new completions remains elevated.

Office remains severely oversupplied as demand has fallen off and completions in process pre-Covid continue to deliver.

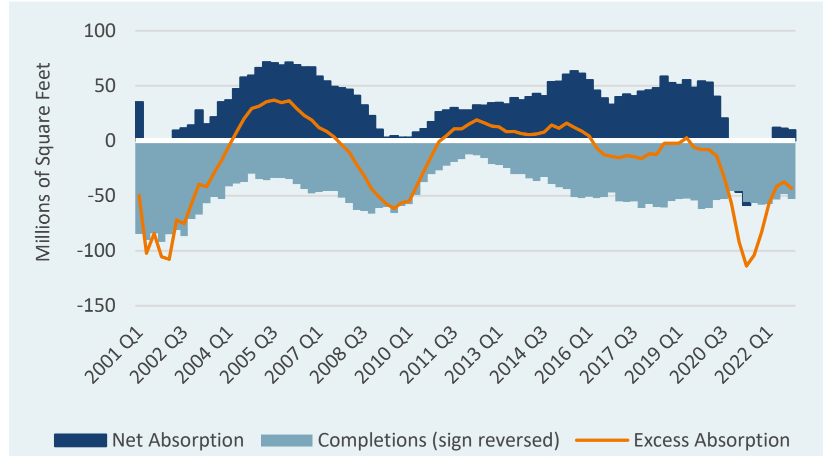
Demand has dropped recently for multi-family and industrial while completions remain elevated. Net absorption has turned negative on multifamily and is now flat in industrial.

Retail is the one bright spot for this metric, as new completions remain muted while leasing activity has picked up.

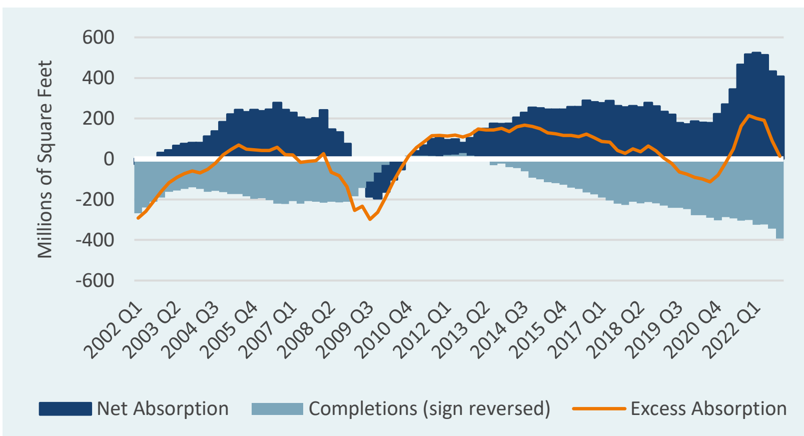
RETAIL



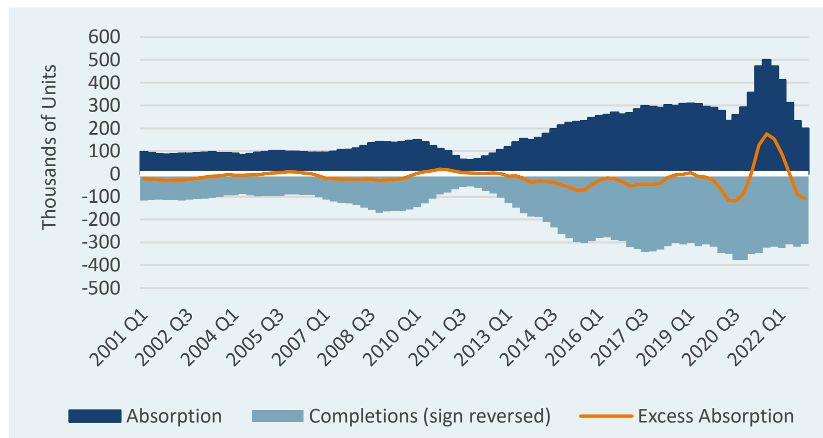
OFFICE



INDUSTRIAL



MULTIFAMILY



Source: American Realty Advisors utilizing CoStar data as of 12/31/22

Challenges in office

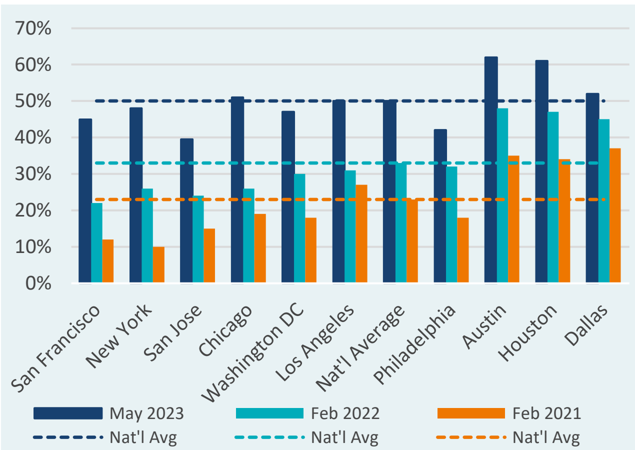
— Employees have increased office utilization from a year ago with the pandemic in the rearview mirror, however structural shifts remain with most companies embracing a hybrid work environment. Physical occupancy remains around 50% of pre-covid levels.

— Domestic migration has aided some office markets with stronger leasing volumes relative to gateway markets. Even growthier markets are still experiencing a decline in leasing relative to pre-pandemic levels.

— We continue to see a bifurcation in demand with new leasing activity gravitating towards newer office buildings with more attractive amenities. Office buildings delivered since 2015 have experienced positive net absorption since Covid began while all other buildings are facing net tenant outflows.

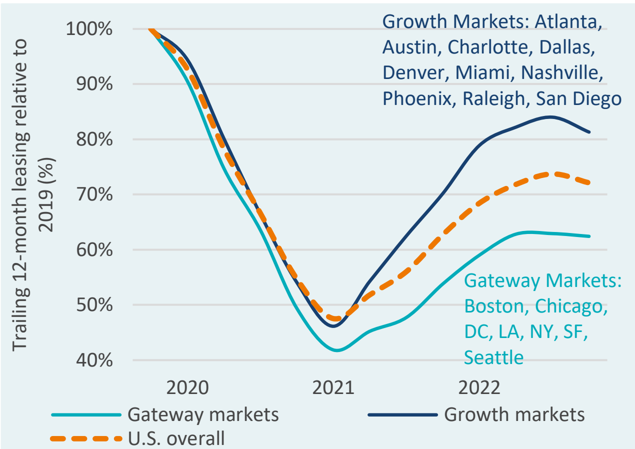
— The leasing cycle for office tends to average 5-7 years, so many leases are still paying at pre-pandemic levels. We are in the midst of rental re-pricing, as well as overall asset valuation uncertainty. It will take several years to work through the system and fully reset pricing. Capital seeking investment in the office sector has dried up and re-financing is a challenge as lenders are all reducing exposures to the sector.

OFFICE PHYSICAL USAGE TRENDS



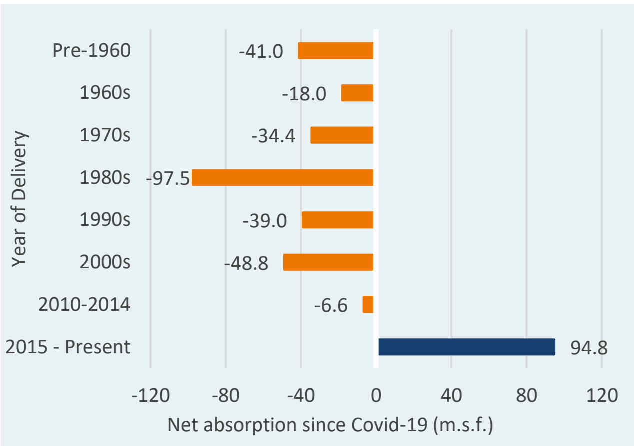
Source: Kastle, 5/8/23

REGIONAL LEASING VOLUME TRACKING OFFICE RE-ENTRY



Source: JLL, March 2023

FLIGHT TO QUALITY – NET LEASING ACTIVITY



Source: JLL, March 2023

Growth in alternative property types

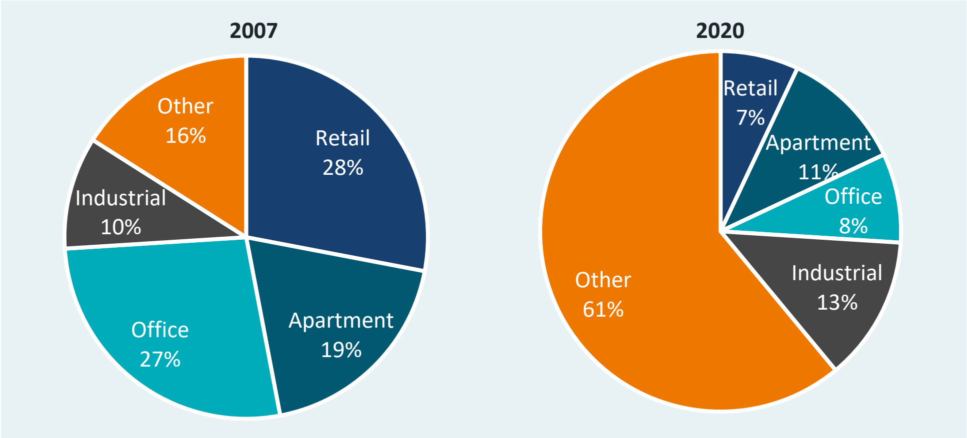
— Over the last decade, the relative weighting of the traditional core property types (office, retail, industrial and multifamily) has decreased as a total component of the public REIT markets from approximately 58% to 37%.

— Meanwhile, the current composition of the NCREIF ODCE index is still hovering around 95% in these four traditional property types.

— The total market capitalization of the REIT market is $1.25 trillion at the end of 2020, according to NAREIT, while the NCREIF index (private core RE) has a total capitalization of $735 billion. As indicated in the charts below, the public REIT market provides a larger representative sample of investable options in real estate which we believe reflects how slow the private core market has been to adopt new sector allocations, rather than REITs being a more attractive space to allocate capital.

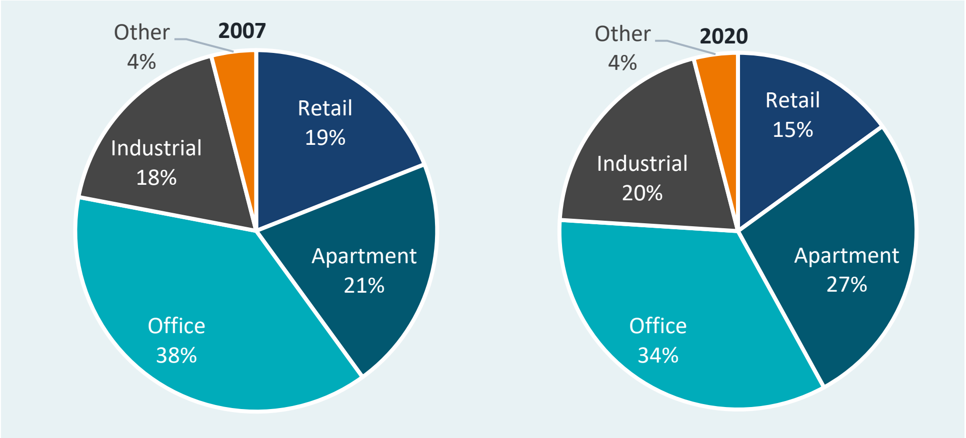
— Clients that lack dedicated exposure to alternative property types are likely underweight their current market value. Said another way, client portfolios in many cases are overweight traditional real estate sectors, particularly office and retail, as the market has increasingly shifted away from these core sectors. These alternative property types include self storage, senior/student housing, life science, data centers and single-family home rentals.

CHANGING COMPOSITION OF REIT MARKET



Source: NCREIF, Green Street, Heitman

PRIVATE CORE REAL ESTATE COMPOSITION



Source: NCREIF, Heitman

Private real estate summary

Strategy	Current Environment	Potential Risks	Outlook/Implementation	View
Core real estate	Core real estate was up 7.5% in 2022, primarily due to a strong start to the year in the first two quarters. The momentum has shifted however, as rising interest rates have put downward pressure on valuations. The appraisal process has been slow to recognize this as transactions have been falling since the 3rd quarter of 2022, hampering the ability to find comparable sales. Redemption queues are as high as they've been since the GFC. We expect further write-downs to hit core real estate funds in 2023.	— Cap rates have not yet fully adjusted to the new higher interest rate environment. 4th quarter of 2022 saw a modest adjustment, but we expect more to come over the next several quarters — Core real estate returns tend to have high correlation to overall GDP growth. There are risks to weakening fundamentals if a recession materializes.	We recommend clients continue to rebalance/reduce exposure to core ODCE funds where possible, although redemption exit queues are in place for most funds. We recommend continued diversification into alternative property types to reduce existing exposures to office, which may face longer term challenges.	Negative
Value-add real estate	Transaction levels have slowed down dramatically as wide bid-ask spreads are persisting. Value-add GPs are seeing few opportunities right now as sellers are still reluctant to transact at the clearing prices currently being offered. Increasing borrowing costs will likely apply pressure on returns for strategies reliant upon higher leverage. An economic slowdown is expected to reduce rent growth opportunities.	— Rising interest rates will increase borrowing costs on higher leveraged value-add strategies, pressuring total returns. — Slowing rent growth as the economy cools has the potential to further reduce forecasted returns	We continue to favor strategies with limited focus on office and those less reliant on high leverage. Asset management value-add will be important as cap rate compression and market growth will be less reliable sources of return. Patience will be a virtue for management teams as transactions, when they happen today, have yet to fully adjust for higher borrowing costs.	Neutral
Opportunistic real estate	Over the last couple of years, pockets of stress have occurred in Covid-19 affected sectors such as office, retail and hospitality. The rising interest rate environment is producing stress and distress across the real estate spectrum as the cost of financing balloons, loan-to-values move up and lenders pull out of the market. Borrowers will be forced to get creative with financing as they often lack fresh equity capital and want to minimize their dilution. Preferred equity gap financing, structured solutions and investments in debt may see attractive opportunities. We could see the reemergence of NPL portfolios in Europe as banks shed assets to shore-up their balance sheets.	— Rising interest rates will increase borrowing costs on higher leveraged strategies, pressuring total returns. — Competition could be a challenge as large sums of capital have been raised waiting for this opportunity to emerge. — Increasing construction costs due to materials and labor may pressure development strategies.	Non-core funds with vintage years during periods of economic stress tend to be some of the best performing vintages. The impact from higher rates will likely create more attractive entry points. Loans coming due at higher borrowing costs and at higher loan-to-values sets the stage for opportunities to provide rescue capital. GPs with experience in distressed situations and those able to be flexible up and down the cap stack are viewed favorably.	Positive
REITs	REITs were down 27.0% in 2022, reflecting an implied cap rate increase across sectors. REITs rallied back in early 2023, erasing about half of the loss they experienced in 2022 but have more recently sold-off again as financials have come under pressure. While REITs valuations are somewhat pricing in a higher rate environment, we would not characterize the current valuations as cheap or compelling.	— REITs have higher leverage than core real estate — Rising interest rates can have a negative effect on REITs and all yield-sensitive assets over short periods. — REITs are sensitive to economic decline and general equity market volatility.	Verus believes REITs can provide liquid exposure to real estate with the following caveats: high sensitivity to equity market volatility over shorter holding periods, higher leverage and higher exposures to non-core sectors. Active management is preferred. REIT valuations are currently at a slight discount; however, this has been volatile and difficult to time. If we see a substantial sell-off in 2023, we could pivot to a positive outlook, but we are not there yet.	Neutral

Portfolio review

CCCERA portfolio allocation

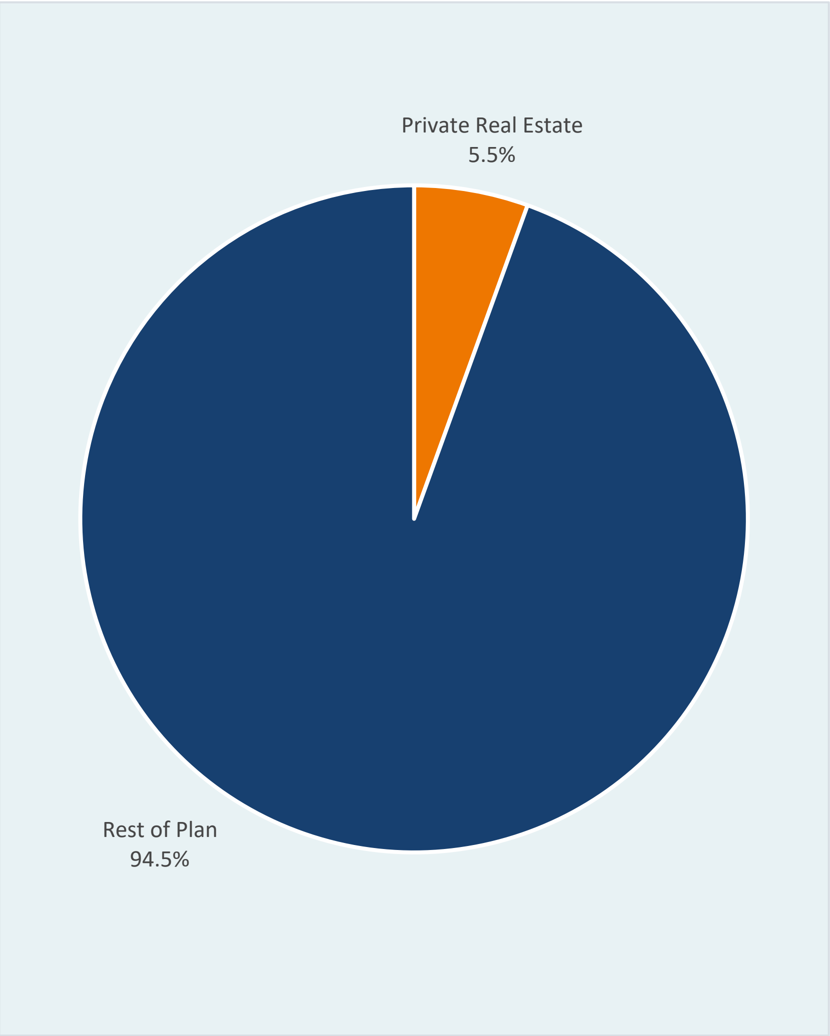
Asset Class	Current Actual (6/30/23)	Current Policy Target[1]	Long Term Policy
Growth	**78.2%**	**75.5%**	**76%**
Public Equities	38.3%	40%	32%
High Yield	1.6%	1.5%	0%
REITs	1.9%	2%	0%
Private Real Estate	5.5%	8%	10%
Private Equity	14.1%	13%	15%
Private Credit	8.9%	8%	13%
Infrastructure	0%	0%	3%
Risk Parity	4.1%	3%	3%
Diversifying	**7.4%**	**7.5%**	**7%**
Liquidity	**12.0%**	**17%**	**17%**
Cash	**2.5%**	**0%**	**0%**

Public market investment in REITs remains the best holding place, as the private markets real estate portfolio continues to be built out.

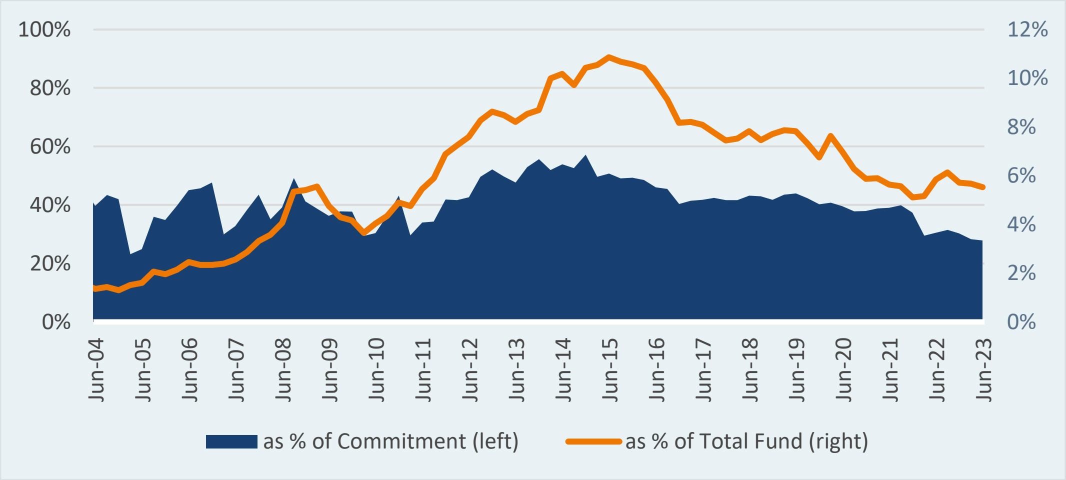
Taken together, the real estate allocation is modestly below the policy target.

(1) From Investment Asset Allocation Resolution 2022-2

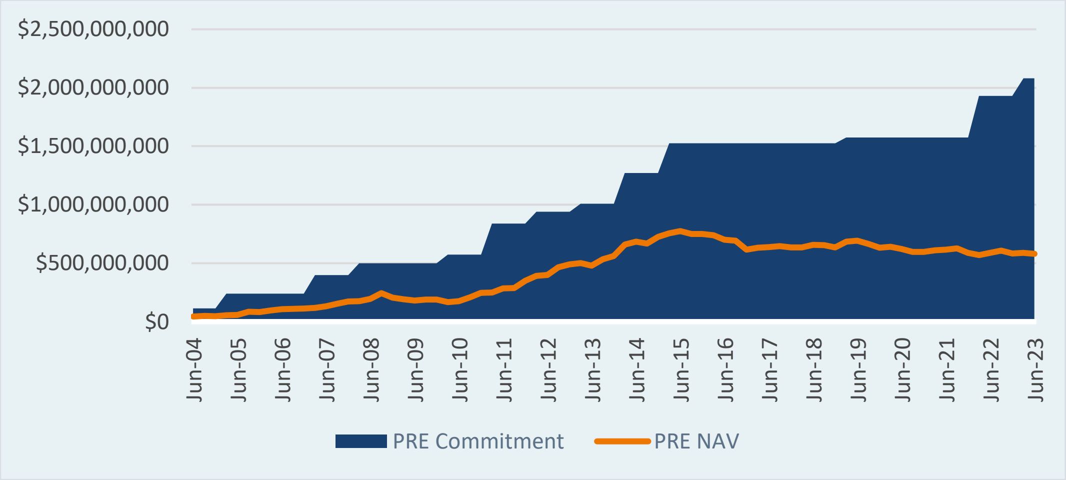
Private real estate program at a glance



PRIVATE REAL ESTATE VALUE AS % OF COMMITMENT AND TOTAL FUND



PRIVATE REAL ESTATE IN DOLLAR TERMS



as of 6/30/23. Commitment values are cumulative from 1998 onward.

Current holdings

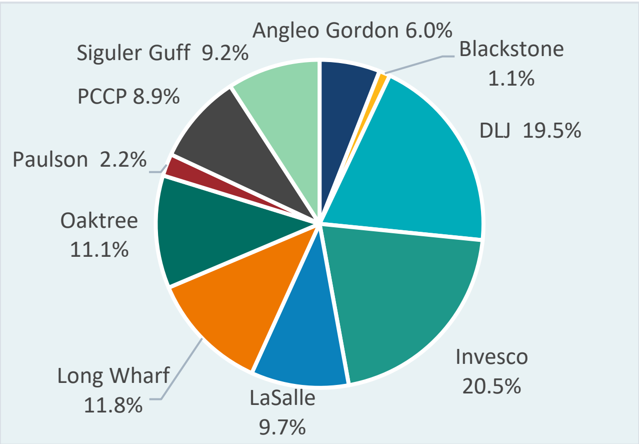
Inception Date	Manager Name/Fund Name	Estimated Market Value as of 6/30/2023[1]	Total Commitment	Total % Called	Capital Called	Current Qtr. Capital Called	Current Qtr. Distributions	Total Distributions[5]	Remaining Commitment	Distrib./ Paid-In (DPI)[2]	Tot. Value/ Paid-In (TVPI)[3]	Latest Valuation
			Verus Internal Analysis									
Real Estate												
1/23/2012	Angelo Gordon Realty Fund VIII[4]	$11,663,899	$80,000,000	94%	$75,401,855	$0	$0	$101,711,550	$12,334,302	1.35	1.50	3/31/2023
12/8/2014	Angelo Gordon Realty Fund IX	$23,109,568	$65,000,000	93%	$60,125,000	$0	$1,300,000	$56,550,001	$7,572,500	0.94	1.32	3/31/2023
3/24/2023	Blackstone Real Estate Partners X	$3,903,497	$100,000,000	4%	$4,265,226	$3,890,731	$0	$0	$95,734,774	0.00	0.92	3/31/2023
6/23/2005	DLJ RECP III	$12,537,898	$75,000,000	134%	$100,709,313 [4]	$0	$0	$69,364,915	$4,031,338	0.69	0.81	3/31/2023
2/11/2008	DLJ RECP IV	$43,742,174	$100,000,000	130%	$130,117,329 [5]	$0	$0	$99,841,735	$1,876,084	0.77	1.10	3/31/2023
7/1/2014	DLJ RECP V	$29,822,329	$75,000,000	143%	$107,442,215 [5]	$53,954	$0	$100,933,448	$15,567,682	0.94	1.22	3/31/2023
3/19/2019	DLJ RECP VI	$27,859,722	$50,000,000	71%	$35,326,070	$0	$0	$11,369,099	$22,649,572	0.32	1.11	3/31/2023
6/30/2014	Invesco Real Estate IV[4]	$651,414	$35,000,000	87%	$30,546,401	$0	$0	$39,777,325	$4,453,599	1.30	1.32	6/30/2023
2/20/2019	Invesco Real Estate V	$76,095,553	$75,000,000	87%	$65,318,898	$3,556,212	$0	$9,319,462	$9,681,102	0.14	1.31	6/30/2023
9/27/2022	Invesco Real Estate VI	$43,038,149	$100,000,000	46%	$45,631,253	$5,663,546	$0	$2,230,131	$66,873,408	0.05	0.99	3/31/2023
7/16/2013	LaSalle Income & Growth VI[4]	$13,870,420	$75,000,000	95%	$71,428,571	$0	$0	$84,541,423	$0	1.18	1.38	3/31/2023
2/28/2017	LaSalle Income & Growth VII	$42,435,903	$75,000,000	96%	$72,154,315	$2,845,685	$0	$50,904,014	$2,845,685	0.71	1.29	3/31/2023
7/3/2013	Long Wharf Fund IV[4]	$871,690	$25,000,000	100%	$25,000,000	$0	$0	$34,948,087	$0	1.40	1.43	6/30/2023
9/30/2016	Long Wharf Fund V[4]	$29,586,670	$50,000,000	100%	$50,000,000	$0	$0	$37,244,373	$0	0.74	1.34	6/30/2023
6/27/2019	Long Wharf Fund VI	$34,525,266	$50,000,000	99%	$49,405,350	$1,209,118	$792,864	$25,668,977	$594,650	0.52	1.22	6/30/2023
5/30/2023	Long Wharf Fund VII	$4,056,571	$50,000,000	10%	$4,943,391	$4,943,391	$0	$0	$45,056,609	0.00	0.82	6/30/2023
12/31/2011	Oaktree REOF V[4]	$345,437	$50,000,000	101%	$50,315,673	$0	$37,056	$78,780,733	$5,000,000 [6]	1.57	1.57	6/30/2023
9/30/2013	Oaktree REOF VI[4]	$19,549,102	$80,000,000	100%	$80,000,000	$0	$1,680,000	$84,810,175	$18,400,000 [6]	1.06	1.30	6/30/2023
4/1/2015	Oaktree REOF VII	$44,971,119	$65,000,000	100%	$65,000,000	$0	$0	$42,829,688	$18,915,000 [6]	0.66	1.35	6/30/2023
11/10/2013	Paulson Real Estate Fund II[4]	$12,732,755	$20,000,000	97%	$19,345,623	$0	$0	$25,449,660	$654,377	1.32	1.97	3/31/2023
4/28/2022	PCCP IX	$51,797,731	$75,000,000	67%	$50,426,564	$4,500,000	$0	$0	$24,573,436	0.00	1.03	3/31/2023
1/25/2012	Siguler Guff DREOF	$13,498,965	$75,000,000	93%	$69,375,000	$0	$2,144,259	$105,915,370	$5,625,000	1.53	1.72	3/31/2023
8/31/2013	Siguler Guff DREOF II	$27,544,228	$70,000,000	89%	$61,985,000	$0	$921,155	$56,612,941	$8,015,000	0.91	1.36	3/31/2023
1/27/2016	Siguler Guff DREOF II Co-Inv	$12,406,924	$25,000,000	84%	$20,915,362	$377,500	$0	$13,871,261	$4,084,638	0.66	1.26	3/31/2023
	Total Closed End Real Estate	$580,616,984	$1,540,000,000	87%	$1,345,178,410	$27,040,137	$6,875,334	$1,132,674,369	$374,538,755	0.84	1.27	
	% of Portfolio (Market Value)	5.5%										

[1]Latest valuation + capital calls - distributions
[2](DPI) is equal to (capital returned / capital called)
[3](TVPI) is equal to (market value + capital returned) / capital called
[4]Capital has been fully called and fund is in redemption.
[5]Total distributions may include recallable distributions
[6]Remianing commitment includes recallable distributions

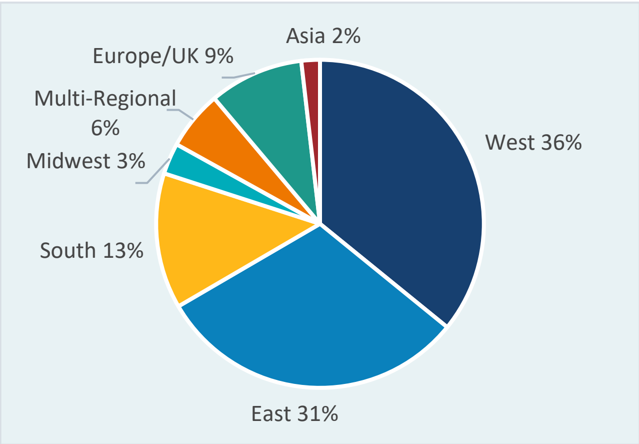
Excerpt from CCCERA's 6/30/23 Investment Performance Report. Private real estate holdings data are reported on a lagged cycle and are reflective of the last known values at the time of the report. Does not include Blackstone SP VIII ($80,000,000), Cross Lake RE IV ($60,000,000), EQT Industrial Value VI ($60,000,000) or EQT Multifamily Value II ($40,000,000).

Program diversification

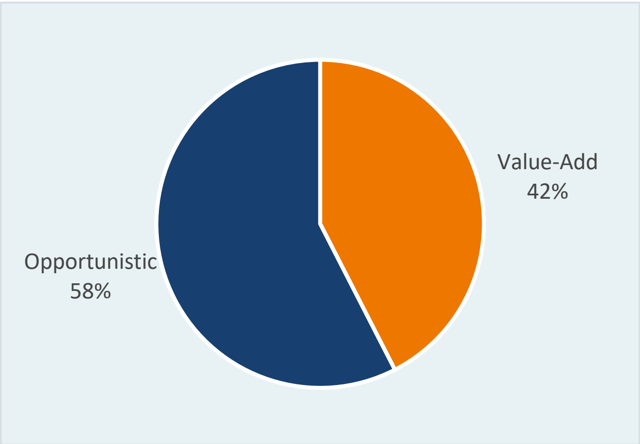
BY MANAGER



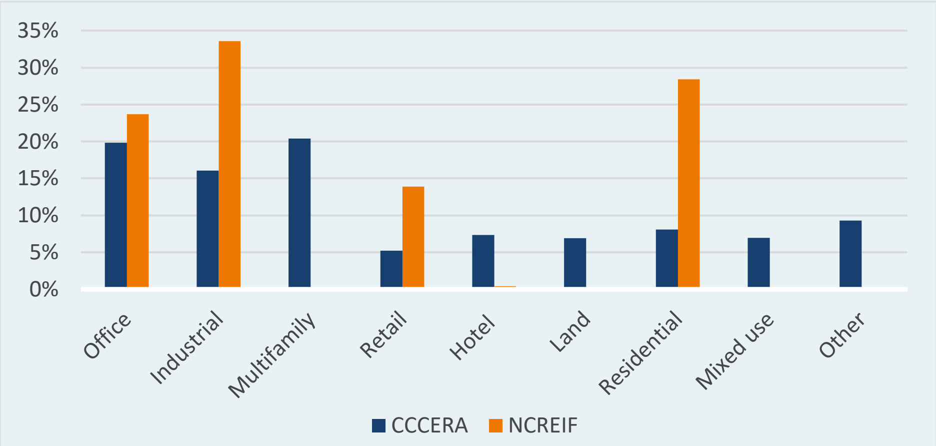
BY GEOGRAPHY



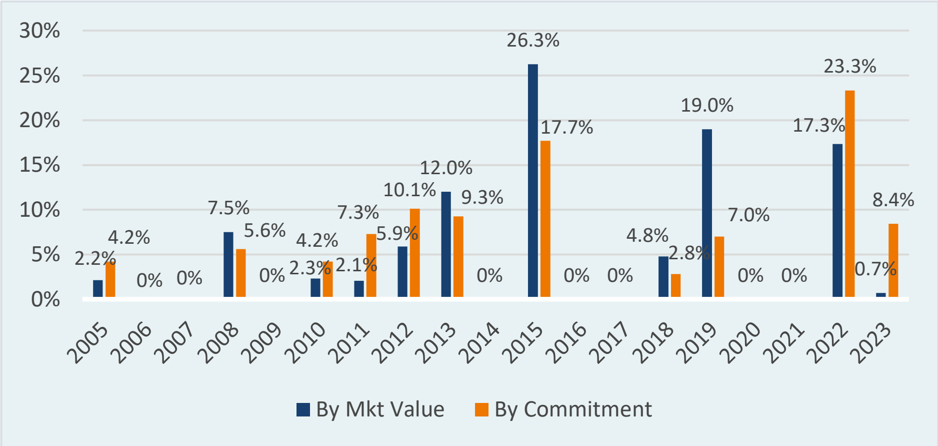
BY STRATEGY



BY PROPERTY TYPE



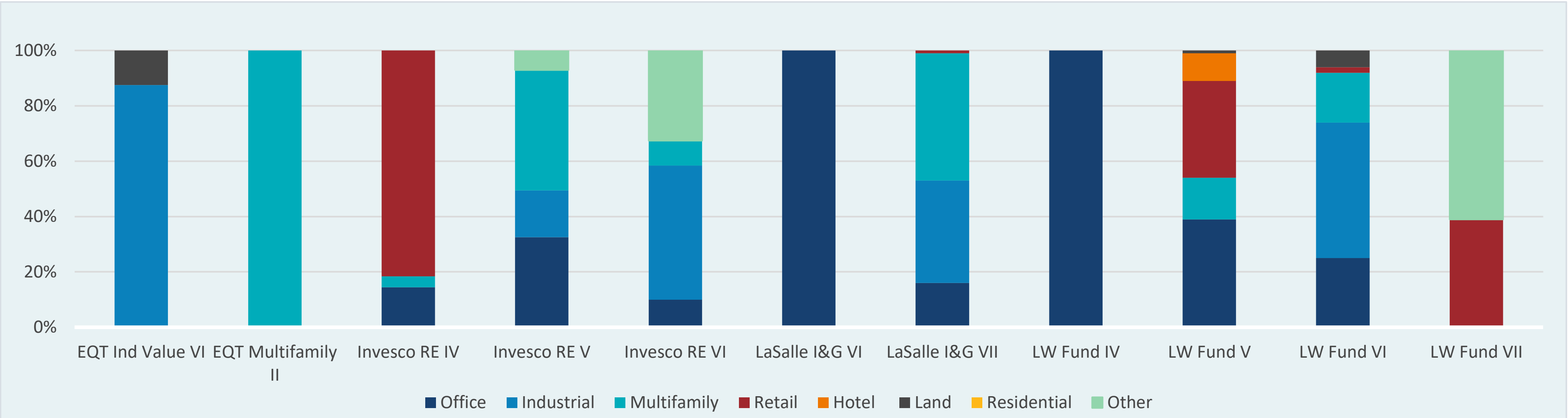
BY VINTAGE YEAR

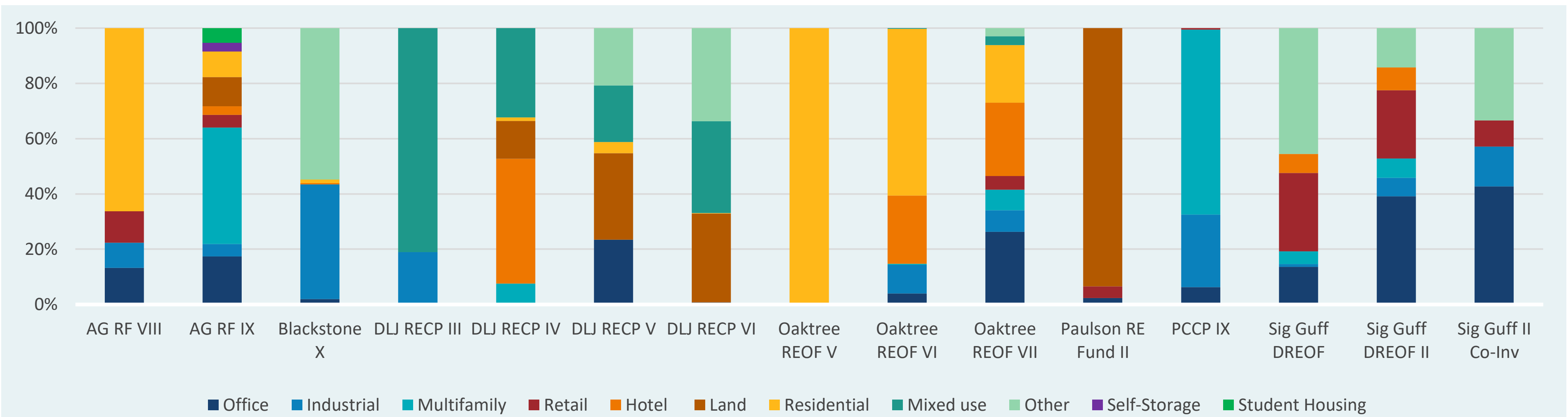


All calculations based on data provided by managers
Data is based on 6/30/23 market values and therefore does not include $100 million total commitments to 2 Exeter funds and $60 million in Cross Lake IV, all with $0 current market value. However, these funds are included in the commitment portion of the vintage year chart for 2023.

Property type allocation by fund

VALUE ADD FUNDS





Source: respective managers. Blackstone Secondaries fund and Cross Lake IV data not available and therefore not included in value-add and opportunistic charts respectively.

Private real estate performance – value-add

Fund	Vintage	Net IRR		TVPI	
		CCCERA	mPME (FTSE NAREIT Index)[1]	CCCERA	Median Peer[2]
Blackstone SP RE VIII	2022	n/a	n/a	n/a	n/a
EQT Industrial Value VI	2022	n/a	n/a	n/a	n/a
EQT Multifamily Value II	2023	n/a	n/a	n/a	n/a
Invesco US Value-Add Fund IV	2015	9.4%	6.6%	1.32	1.40
Invesco US Value-Add Fund V	2019	10.2%	1.7%	1.27	1.15
Invesco US Value-Add Fund VI	2022	n/a	n/a	1.03	n/a
LaSalle Income & Growth VI	2011	9.0%	10.3%	1.38	1.52
LaSalle Income & Growth VII	2014	6.4%	7.5%	1.43	1.41
Long Wharf Fund IV	2011	11.6%	10.3%	1.44	1.52
Long Wharf Fund V	2014	8.1%	7.5%	1.34	1.41
Long Wharf Fund VI	2019	22.0%	1.7%	1.22	1.15
Long Wharf Fund VII	2023	n/a	n/a	n/a	n/a

As of 3/31/23

(1) FTSE NAREIT All Equity REITs Index PME from Cambridge Modified Public Market Equivalent (mPME) since inception based on vintage year
(2) Cambridge Associates value-added real estate universe data based on vintage year

Private real estate performance – opportunistic

Fund	Vintage	Net IRR		TVPI	
		CCCERA	mPME (FTSE NAREIT Index)[2]	CCCERA	Median Peer[3]
Angelo Gordon Real Estate Fund VIII	2010	6.3%	11.8%	1.50	1.55
Angelo Gordon Real Estate Fund IX	2014	6.6%	7.5%	1.37	1.36
Blackstone Real Estate Partners X	2022	n/a	n/a	1.00	n/a
Cross Lake RE Fund IV	2023	n/a	n/a	n/a	n/a
DLJ RECP Fund III	2005	-3.0%	7.2%	0.81	0.86
DLJ RECP Fund IV	2008	2.0%	11.4%	1.12	1.22
DLJ RECP Fund V	2013	7.0%	8.5%	1.26	1.40
DLJ RECP Fund VI	2018	3.5%	4.5%	1.10	1.42
Oaktree REOF V	2011	12.2%	10.3%	1.57	1.42
Oaktree REOF VI	2012	6.9%	8.7%	1.33	1.41
Oaktree REOF VII	2015	12.7%	6.6%	1.35	1.36
Paulson Real Estate Fund II	2012	10.9%[1]	7.2%[1]	1.97	1.41
PCCP IX	2022	4.2%	n/a	1.05	n/a
Siguler Guff DREOF	2010	11.5%	11.8%	1.75	1.55
Siguler Guff DREOF II	2013	4.5%	8.5%	1.37	1.40
Siguler Guff DREOF II Co-Inv	2014	5.1%	7.5%	1.35	1.36

As of 3/31/23

(1) As of 12/31/22 provided by Paulson; (2) From Cambridge Modified Public Market Equivalent (mPME) since inception based on vintage year; (3) Cambridge Associates opportunistic real estate universe data

Pacing forecast

Private real estate projections – value-add

					(Contributions) / Distributions							
Fund	**Vintage Year**	**Commitment**	**Remaining Commitment**	**Cumulative To 12/31/22**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Blackstone SP RE VIII	2022	$80.0	$80.0									
Net Cash Flow					($17.6)	($17.6)	($21.6)	($8.8)	$5.6	$8.8	$10.4	$12.0
NAV				$2.6	$19.9	$34.9	$52.1	$54.3	$41.8	$27.7	$13.7	$0.0
EQT Industrial Value VI	2022	$60.0	$29.5									
Net Cash Flow					($5.4)	($16.2)	($33.0)	$4.2	$5.4	$6.6	$7.8	$9.0
NAV				$0.0	$5.4	$21.0	$51.4	$41.1	$30.8	$20.5	$10.2	$0.0
EQT Multifamily Value II	2023	$40.0	$40.0									
Net Cash Flow					$0.4	($10.8)	($14.0)	($9.2)	$3.6	$4.4	$5.2	$6.0
NAV				$0.0	($0.4)	$10.5	$23.0	$29.0	$21.5	$14.1	$7.0	$0.0
Invesco U.S. Value-Add Fund IV	2015	$35.0	$4.5									
Net Cash Flow					$0.5							
NAV				$1.0	$0.0							
Invesco U.S. Value-Add Fund V	2019	$75.0	$11.3									
Net Cash Flow					($9.5)	$9.3	$78.0					
NAV				$70.9	$82.5	$75.7	$0.0					
Invesco U.S. Value-Add Fund VI	2022	$100.0	$69.0									
Net Cash Flow					($22.9)	($4.0)	($4.8)	($5.6)	$27.4	$32.5	$32.2	$24.7
NAV				$34.4	$60.5	$70.1	$81.3	$94.4	$75.7	$50.2	$22.6	$0.0
LaSalle Income & Growth VI	2012	$75.0	$3.6									
Net Cash Flow					$0.0	$9.0						
NAV				$14.6	$11.5	($0.0)						
LaSalle Income & Growth VII	2015	$75.0	$2.8									
Net Cash Flow					($2.8)	$26.5	$0.0					
NAV				$53.2	$39.0	$0.0	$0.0					
Long Wharf Fund IV	2012	$25.0	$0.0									
Net Cash Flow					$0.0	$0.9						
NAV				$1.3	$1.1	$0.0						
Long Wharf Fund V	2015	$50.0	$0.0									
Net Cash Flow					$6.0	$18.3	$6.9					
NAV				$30.8	$25.0	$6.9	$0.0					
Long Wharf Fund VI	2019	$50.0	$5.9									
Net Cash Flow					($2.6)	$2.7	$20.1					
NAV				$29.9	$28.9	$22.8	($0.0)					
Long Wharf Fund VII	2023	$50.0	$50.00									
Net Cash Flow					($5.0)	($17.5)	($12.5)	$0.0	$15.0	$17.5	$17.5	$10.0
NAV				$0.0	$5.0	$23.2	$38.9	$44.4	$35.6	$23.1	$8.8	$0.0
Value-Add Balance		**$535.0**	**$147.2**	**$238.62**	**$278.30**	**$264.98**	**$246.82**	**$263.20**	**$205.28**	**$135.48**	**$62.32**	**$0.00**
% of Total Assets				**2.3%**	**2.6%**	**2.4%**	**2.1%**	**2.2%**	**1.7%**	**1.1%**	**0.5%**	**0.0%**
Total Plan Assets				**$10,223**	**$10,693**	**$11,135**	**$11,553**	**$11,941**	**$12,300**	**$12,626**	**$12,936**	**$13,230**

Note: 5% value-add target. Assumptions for this model are detailed in the appendix. Projections for Blackstone SP RE VIII and both EQT funds are based on average estimates for PRE asset class.

Private real estate projections - opportunistic

					(Contributions) / Distributions							
Fund	**Vintage Year**	**Commitment**	**Remaining Commitment**	**Cumulative To 12/31/22**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Angelo Gordon Realty Fund VIII	2011	$80.0	$4.6									
Net Cash Flow					$1.3	$6.7	$4.2					
NAV				$12.7	$11.2	$4.3	$0.0					
Angelo Gordon Realty Fund IX	2015	$65.0	$4.9									
Net Cash Flow					$7.9	$8.9	$7.0	$0.2	$0.3	$0.4	$0.3	$0.1
NAV				$31.5	$20.5	$9.6	$1.7	$1.4	$0.9	$0.5	$0.1	$0.0
Blackstone RE Partners X	2022	$100.0	$100.0									
Net Cash Flow					($4.2)	($22.0)	($27.0)	($11.0)	$7.0	$11.0	$13.0	$15.0
NAV				$0.0	$4.2	$25.9	$50.8	$57.9	$46.4	$31.7	$16.3	$0.0
Cross Lake RE Fund IV	2023	$60.0	$60.0									
Net Cash Flow					($13.2)	($13.2)	($16.2)	($6.6)	$4.2	$6.6	$7.8	$9.0
NAV				$0.0	$13.2	$24.8	$38.0	$40.0	$30.9	$20.5	$10.2	$0.0
DLJ RECP III	2005	$75.0	$0.0									
Net Cash Flow					$3.6	$9.5	$5.1					
NAV				$11.7	$11.0	$4.1	$0.0					
DLJ RECP IV	2008	$100.0	$0.0									
Net Cash Flow					$0.7	$6.9	$58.2					
NAV				$52.2	$55.9	$53.7	$0.0					
DLJ RECP V	2013	$75.0	$0.0									
Net Cash Flow					$13.6	$2.2	$15.7	$23.2	$23.0			
NAV				$30.3	$27.0	$34.1	$30.1	$17.2	$0.0			
DLJ RECP VI	2018	$50.0	$24.7									
Net Cash Flow					$2.4	$5.7	$13.7	$50.7				
NAV				$22.2	$28.9	$35.1	$35.9	$0.0				
Oaktree REOF V[1]	2011	$50.0	$0.0									
Net Cash Flow					$0.0							
NAV				$1.0	($1.1)							
Oaktree REOF VI[1]	2012	$80.0	$0.0									
Net Cash Flow					$1.6							
NAV				$23.8	($0.0)							
Oaktree REOF VII[1]	2015	$65.0	$0.0									
Net Cash Flow					$3.3							
NAV				$47.2	($0.0)							
Paulson Real Estate Fund II	2013	$20.0	$0.7									
Net Cash Flow					$1.0	$4.0	$13.0					
NAV				$15.3	$15.3	$12.2	$0.0					
PCCP IX	2022	$75.0										
Net Cash Flow					($18.7)	($11.0)	$24.6	$30.4	$29.3	$16.2	$2.0	
NAV				$39.7	$62.7	$80.4	$64.5	$41.1	$16.3	$1.8	$0.0	
Siguler Guff DREOF	2010	$75.0	$5.6									
Net Cash Flow					$5.4	$5.2	$10.0	$6.2	$3.1	$0.5		
NAV				$17.9	$16.2	$14.4	$7.5	$2.9	$0.4	$0.0		
Siguler Guff DREOF II	2013	$70.0	$8.0									
Net Cash Flow					$7.1	$12.3	$8.5	$11.6	$11.5	$0.9	$2.3	
NAV				$30.2	$29.3	$22.9	$19.2	$11.5	$2.4	$1.9	$0.0	
Siguler Guff DREOF II Co-Inv	2015	$25.0	$4.5									
Net Cash Flow					$3.6	$0.3	$2.1	$15.5	$0.2			
NAV				$12.6	$11.2	$13.0	$13.3	$0.2	$0.0			
Opportunistic Balance		**$1,065.0**	**$213.0**	**$348.22**	**$305.45**	**$334.60**	**$261.01**	**$172.09**	**$97.27**	**$56.50**	**$26.63**	**$0.00**
% of Total Assets				**3.4%**	**2.9%**	**3.0%**	**2.3%**	**1.4%**	**0.8%**	**0.4%**	**0.2%**	**0.0%**
Total Plan Assets				**$10,223**	**$10,693**	**$11,135**	**$11,553**	**$11,941**	**$12,300**	**$12,626**	**$12,936**	**$13,230**

Notes: 5% opportunistic target. Assumptions for this model are detailed in the appendix. (1) Did not provide projections beyond 2023. Projections for Blackstone RE Partners X & Cross Lake IV are based on average estimates for PRE asset class.

Program projections

— Many funds within the CCCERA private real estate program are mature and consequently total market values will continue to decline.

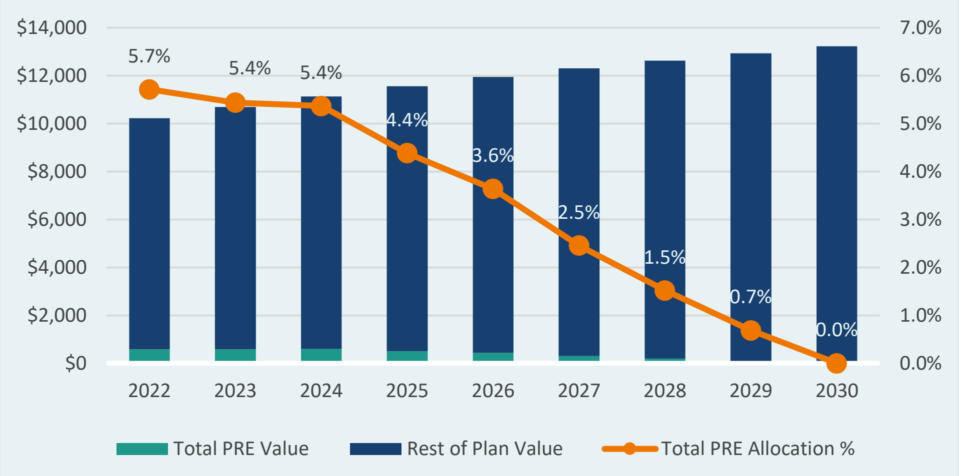
— Ongoing due diligence to increase commitments in 2023 has progressed the program closer to its target allocation of 10%. A total $310 million to new funds has been added this year, including 2 funds still in the due diligence phase.

— The following commitment schedule can achieve the 10% target allocation by 2027 (2 years earlier than projected last year):

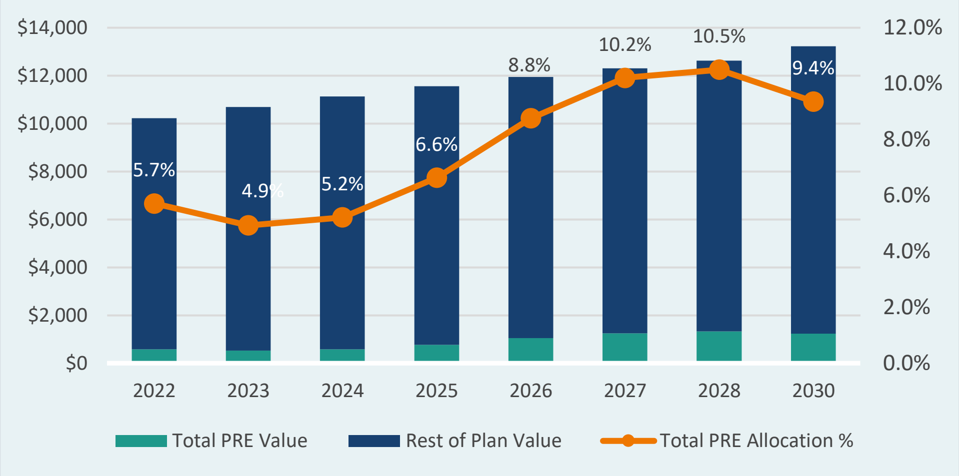
	2022 Actual	2023	2024	2025	2026	2027	2028	2029	2030
Projected commitment	$255.0	$260.0	$400.0	$400.0	$450.0	$300.0	$300.0	$350.0	$400.0
Projected maket value	$584.3	$527.3	$580.6	$766.7	$1,046.0	$1,255.2	$1,325.8	$1,310.5	$1,238.5
Total Plan Assets	$10,223.3	$10,692.9	$11,135.1	$11,553.1	$11,941.1	$12,299.7	$12,625.9	$12,936.2	$13,230.0
As a % of Plan	5.7%	4.9%	5.2%	6.6%	8.8%	10.2%	10.5%	10.1%	9.4%

$millions

WITH NO ADDITIONAL COMMITMENTS



WITH PLANNED COMMITMENT SCHEDULE



2023 commitments include $110 million across 2 funds currently in the due diligence phase.

While our proprietary pacing model base case shows projected annual commitments between $300 - $450 million to meet the target allocation by 2027, there are several potential mitigating factors due to the uncertainty of the forecasting exercise

Recommendations

Recommendations

— Implementation recommendations should be deemed sufficiently flexible to adjust to evolving market conditions and portfolio positioning

— Based on current conditions and positioning, we recommend the following:

- Continue to build allocation to reach the 10% strategic target with annual commitments of approximately $400-$450 million or 3-5 funds per year, as practical given market conditions.
- Consider broadly diversified funds with emphasis on industrial, multi-family, and non-traditional sectors
- Consider specialty funds as opportunities present themselves

Appendix

Projection assumptions and notes

- Total Plan assets are assumed to grow at an annual rate of 7.4% based on policy forecasted returns using Verus 2023 capital market assumptions adjusted by net contributions taken from the Governmental Accounting Standard (GAS) 67 Actuarial Valuation as of December 31, 2021, provided by Segal Consulting.
- All market values are based on last known balance and are adjusted for capital calls and distributions. Distributions are solely within the discretion of the general partner of each fund. There can be no assurance that a fund will make any distributions.
- Projected capital activity is estimated and subject to change and based on estimated acquisition and/or disposition activity.
- Contributions to date may include capital distributions that were subject to recall.
- Projected returns are subject to certain inherent limitations including the projection of market and economic risks.
- The actual returns achieved on unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which the valuations used in the projected performance data contained herein are based.
- Angelo Gordon projections are based on their June 30, 2023 projection model. Remaining commitment for AG Realty Fund VIII includes recallable capital of $7,736,157 and remaining commitment for AG Realty Fund IX includes recallable capital of $2,697,500.
- Oaktree did not provide future projections, and as distributions are allocated, this will affect the NAV estimates in the forward years.
- Invesco Real Estate Fund III was liquidated and dissolved as of March 31, 2022, and therefore not included in the projection study.
- The projection assumptions for all of the 2022 and 2023 vintage years (except PCCP IX and Long Wharf Fund VII which provided their own projections) are as follows:
  - Contributions are based on Verus' researched averages on private real estate funds as an asset class which assumes 100% of capital is drawn by year 5.
  - Distributions are based on Verus' researched averages on private real estate funds as an asset class which assumes an 10-year fund life.

Fund descriptions

Angelo Gordon Realty Funds VIII - IX

— An opportunistic real estate fund series managed by Angelo, Gordon & Co. The Funds targeted a 20% gross return to investors using leverage of approximately 55-65%. The Fund's strategy was to acquire sub-performing real estate properties, principally in the United States, across a broad range of geographical markets and product types, including office buildings, hotels, retail properties, industrial properties and apartment buildings.

Blackstone Real Estate Partners X

— This is Blackstone's flagship global opportunistic fund, with target allocation of 70% North America, 20% Europe, and 10% Asia. The fund's thematic sectors are logistics, rental housing, and lodging, taking advantage of the growing penetration of e-commerce and supply chain disruption, the need for affordable housing, and market volatility for hotels. Leverage ratio is typical opportunistic range between 60% and 75%, with average deal size of $100M.

DLJ RECP

— The investment strategy of the Partnership's investees is to acquire, develop, redevelop, manage, operate, and otherwise deal in and with real estate investments. The Partnership may receive distributions during the investment period, upon liquidation of the investee's underlying assets or upon sale of or redemption of its investments, over time.

Invesco Real Estate III

— A real estate investment fund created by Invesco Real Estate ("Invesco" or "IRE"). The fund will invest in value-added real estate opportunities. Investments will be made solely in the United States in four specific product types – multi-family, industrial, retail and office properties. Invesco will draw on its extensive investment history in these property types to attempt to deliver superior returns for the Fund investors.

Invesco Real Estate IV

— A value-added real estate fund sponsored by Invesco Real Estate ("IRE"). Invesco Real Estate is the real estate investment management center of Invesco Advisers, Inc., a subsidiary of Invesco Ltd. (together with its affiliates, "Invesco"). Fund Investments will be made solely in the United States in four specific property types – multi-family, industrial, retail and office. The Fund will rely upon IRE's extensive resources, experience in the real estate investment market and deep knowledge of value-added investing to seek superior returns for Fund investors. The Fund seeks to provide investors with a gross internal rate of return ("IRR") of 12-15%.

Fund descriptions continued

Invesco Real Estate V - VI

— A value-add real estate investment fund sponsored by Invesco Advisers, Inc. (the “Investment Manager”) and is managed by Invesco Real Estate, the real estate investment management center of the Investment Manager (“Invesco Real Estate” or “IRE”), a subsidiary of Invesco Ltd. (collectively, “Invesco”). The Fund is being formed to continue the execution of Invesco Real Estate’s U.S. value-add fund series. Consistent with its predecessor funds, the Fund expects to pursue a similar investment strategy of acquiring fundamentally sound but broken “core” assets that can be repositioned into institutional-quality, income producing properties. The Fund will seek to achieve a gross annual compounded internal rate of return ("IRR") of 11-14% on its investments. Targeted returns are not predicated on significant rental rate growth, excessive use of leverage or macro trends. Rather, the Fund will seek to acquire sub-performing, transitional assets where Invesco Real Estate can utilize its operational and managerial experience to add value at the property level, grow net operating income (“NOI”) and maximize asset value at monetization.

LaSalle Income & Growth VI - VII

— The Fund intends to pursue non-core properties (including office, industrial, retail and multifamily properties) that LaSalle believes exhibit sound fundamentals and have the potential to provide attractive income and the opportunity for value creation through: (1) the strategic lease-up of vacant or roll-over space, (2) creative property repositioning and refurbishment, (3) build to suit expansion or new construction and/or (4) tenancy upgrades. LaSalle believes that once properties have been repositioned, such properties will have the potential to attract buyers seeking “core” returns. From a geographic perspective, the Fund will seek to acquire non-core assets in major markets and high-quality properties in targeted secondary markets that it believes are temporarily out of favor but may come back into favor if more capital flows to real estate.

Long Wharf Fund IV – V

— Funds formed in (2012, 2015, 2019) to make value-added investments in multiple property sectors in markets across the U.S. With ($254, $438, $505) million of capital commitments, the fund seeks to generate an annualized net IRR of 12-15%. LREP (IV, V, VI) employs a value-oriented philosophy that focuses on total cost basis relative to asset quality, and where the potential return is driven by improving and stabilizing a property's operations rather than attempting to predict trends in the broader capital markets. The fund primarily pursues smaller to medium-sized investments, while selectively considering investments in larger properties or portfolios. Long Wharf believes middle market transactions – those with a gross value under $75 million represent a more attractive portion of the overall commercial real estate market based on relative value and liquidity.

Oaktree REOF V - VII

— The primary objective of the Fund is to achieve superior risk-adjusted returns without subjecting principal to undue risk of loss primarily through investments in real estate and real estate-related debt, companies, securities and other assets on a global basis, with an emphasis on investments in the United States.

Fund descriptions continued

Paulson Real Estate Fund II

— A value-added real estate fund sponsored by Invesco Real Estate ("IRE"). Invesco Real Estate is the real estate investment management center of Invesco Advisers, Inc., a subsidiary of Invesco Ltd. (together with its affiliates, "Invesco"). Fund Investments will be made solely in the United States in four specific property types – multi-family, industrial, retail and office. The Fund will rely upon IRE's extensive resources, experience in the real estate investment market and deep knowledge of value-added investing to seek superior returns for Fund investors. The Fund seeks to provide investors with a gross internal rate of return ("IRR") of 12-15%.

PCCP Equity IX

— The Fund will consist of a portfolio of U.S. middle market real estate assets, diversified by geography, asset class, strategy type and operating partner. The fund will invest primarily in the four main property types (office, industrial, multifamily and retail/mixed use). The fund expects to invest in 40-50 investments with an average deal size of $25-30 million in equity commitments. Leverage will be capped at 65% at the portfolio level and development will be capped at 30%. PCCP expects property type allocations to be approximately 30% each to industrial/multifamily/office and 10% to other (retail and/or hotel), with some potential for distressed opportunities. The development budget will be targeted towards industrial and multifamily.

Siguler Guff DREOF

— The Siguler Guff Distressed Real Estate Opportunities Funds are diversified portfolios that invest in various types of real property interests, including equity interests in commercial property, commercial mortgages and commercial mortgage-backed securities, and the debt and equity securities of real estate operating companies or real estate investment trusts primarily in the U.S. and Europe.

Fund descriptions – recently added

Blackstone Strategic Partners Secondaries VIII

— The fund seeks capital appreciation through the acquisition of secondary interests in real estate funds and assets, focusing on high-quality portfolios in major commercial real estate markets and gateway cities, while capitalizing on the relatively fragmented competitive environment for real estate secondaries.

Cross Lake Real Estate Fund IV

— The fund is expected to invest in built-for-rent residential housing and community developments in the Southwest, Mountain West and Southeast areas in the US. It will also look to place capital into special situations such as lodging and to provide rescue capital for select properties and subdivisions.

EQT Exeter Industrial Value Fund VI

— The Fund pursues a value-add strategy to acquire, develop, renovate, lease, operate, and sell industrial properties serving major markets throughout the US and emphasizing single-tenant, modern supply chain assets, which include big box fulfillment center and last mile assets used by the world's largest corporations to implement their delivery systems.

EQT Exeter Multifamily Value Fund II

— This value-add fund will invest in multifamily properties in the United States with a focus on the educational, technology and medical submarkets.

Long Wharf Fund VII

— This closed-end value-add fund focuses on several property sectors including light industrial, grocery-anchored shopping centers, multifamily and select alternative sectors, such as life science labs and cold storage.

Glossary of terms

Capitalization Rates: The rate of return of a real estate investment, which is calculated by dividing the property's net operating income by the property's purchase price.

Core Real Estate: This category of real estate will include a preponderance of stabilized properties. Core real estate should achieve relatively high income returns and exhibit relatively low volatility. Core real estate funds tend to use less leverage.

Consumer Price Index (CPI): A measure of purchasing power and inflation that takes the average prices of a basket of consumer goods and services, such as food, medical care, and transportation, and compares the same basket of goods in terms of prices to the same period in a previous year. Changes in CPI are used to assess price changes associated with the cost of living.

Double Promote: A joint venture private equity structure is considered to have a "double promote" if the sponsor of a project is in fact comprised of two separate parties who each have a profit waterfall agreement or cash flow disbursements.

Dry Powder: Investment reserves raised by investment funds to cover future obligations or to purchase assets in the future.

GDP: The total value of all services and goods produced within a country's borders, for a given time period. This calculation includes both private and public consumption, government expenditures, investments, along with total exports net of total imports.

Internal Rate of Return (IRR): the IRR is the discount rate that equates the present value of cash outflows (investment) with the present value of cash inflows (return of capital). IRR is often referred to as a dollar-weighted rate of return that accounts for the timing of cash inflows and outflows.

LIBOR: Is a benchmark rate that some of the world's largest banks charge each other for short-term loans. It stands for London Interbank Offered Rate and serves as the first step in calculating interest rates on various loans throughout the world.

Net Operating Income (NOI): A calculation which is used to analyze real estate investments that generate income. NOI is the property's annual income generated by operations after deducting all expenses incurred from those operations. The growth rate in NOI is a common metric used in determining the health of a property.

Opportunistic Real Estate: An opportunistic fund is one that includes preponderantly non-core assets. The fund as a whole is expected to derive most of its return from property appreciation which may result in volatile returns. These funds may employ a variety of tools such as development, significant leasing risk and potentially high leverage.

Real Estate Investment Trusts (REITs): A REIT is a company that owns and operates commercial real estate properties. REITs can be publicly traded or privately held. There are two main type of REITs: Equity REITs which generate income from the operation of properties, and Mortgage REITs, which invest in mortgages or mortgage securities.

Value-Added Real Estate: A value-added real estate fund often holds a combination of core assets and other assets characterized by less dependable cash flows. These strategies are likely to have moderate lease exposure and employ moderate leverage. Consequentially, these strategies seek significant returns from property appreciation and typically exhibit moderate volatility.

Vacancy Rates: The vacancy rate is calculated as the total number of unoccupied units of a property divided by the total units of the property, at a particular point in time.

Vintage Year: Represents the year the first capital call or portfolio company investment was made.

Meeting Date
09/27/2023
Agenda Item
#9

Contra Costa County Employees' Retirement Association

EMPLOYER AUDIT REPORT

July 31, 2023

EMPLOYER AUDIT

Contra Costa County Treasurer-Tax Collector

TABLE OF CONTENTS

July 31, 2023

Russell V. Watts
Treasurer-Tax Collector
Contra Costa County
625 Court Street, Room 100
Martinez, CA 94533

RE: CCCERA Employer Audit Report – Contra Costa County Treasurer-Tax Collector's Office

Dear Mr. Watts,

Enclosed is the employer audit report of Contra Costa County Treasurer-Tax Collector's Office (TTC), conducted pursuant to Government Code Section 31543. I want to thank you and all TTC staff for their assistance in gathering all the records and documents and making them readily available during this audit. This cooperation was greatly appreciated and allowed for the audit to be completed in an efficient manner.

The *Employer Audit Report* is enclosed for your review. There were no "Follow-Up Items" noted for the TTC to address. However, the audit noted gaps in the areas of employer pensionable payroll reports, employer certification, and enrollment packets. CCCERA is in receipt of a written response from the TTC dated July 25, 2023. This response is included in this report which will be submitted to CCCERA's Audit Committee for its review.

This report will be placed on the agenda and will be presented to the CCCERA Board of Retirement Audit Committee at its September 13, 2023 meeting.

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

Best regards,

Cherry Chang
Internal Auditor

CC: Lulis Lopez, Assistant County Tax Collector, Treasurer-Tax Collector's Office
Mary Griswell, Accountant III, Treasurer-Tax Collector's Office
Marisol Sloan, Administrative Services Assistant II, Treasurer-Tax Collector's Office
Monica Nino, Contra Costa County Administrator
Robert Campbell, Contra Costa County Auditor Controller
Wrally Dutkiewicz, CCCERA Compliance Officer

BACKGROUND

The Contra Costa County Employees' Retirement Association (CCCERA) is a public employee retirement system that was established by Contra Costa County on July 1, 1945, and is administered by the Board of Retirement (Board) to provide service retirement, disability, death, and survivor benefits for Contra Costa County (County) employees and 15 other participating agencies under the California State Government Code, Section 31450, *et. seq.* (County Employees Retirement Law of 1937 or CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA).

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

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

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

The Contra Costa County Treasurer-Tax Collector is elected as a county-wide officer responsible for collecting money due the county, disbursing funds, investing the surplus funds of the county, and maintaining financial records.

Per CCCERA records, the Contra Costa County Treasurer-Tax Collector's Office had 30 active members as of 4/30/23. For these members, the County reported pensionable compensation of approximately $2.1 and $2.5 million in 2021 and 2022. The table below summarizes membership counts, pensionable compensation, pension contribution, retiree counts and pension benefit payment for calendar years 2021, 2022 and 2023.

	CY2021	CY2022	CY2023*
Active Members	34	34	30
Pensionable Compensation	$2,161,553	$2,544,123	$639,114
Employer Contribution	$565,731	$674,216	$167,767
Member Contribution	$228,819	$275,463	$68,454

	CY2021	CY2022	CY2023*
Retirees & Beneficiaries	43	42	39
Pension Benefit Payment	$2,100,836	$2,109,246	$1,067,214

* through 4/30/23 for active members and 6/1/23 for retirees

SCOPE

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

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

The CCCERA audit of the Treasurer-Tax Collector's Office was conducted virtually between May and July 2023. The review period encompassed active employee records and retiree records from 2021 through April 2023.

OBSERVATIONS AND FINDINGS

ACCURACY OF PAYROLL INFORMATION PROVIDED TO CCCERA

➢ *Scope Item 1: Exceptions were observed in this section. See Observation 1 and 2.*

PAYROLL AND REPORTING PROCESS AND RECEIVABLES REVIEW

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

Due Dates:

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

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

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

➢ *Observation 1: For the period of January 2021 - March 2023, the County had eight (8) late report submissions that occurred in these six months: May 2021, Sept 2021, April 2022*, Aug 2022, Oct 2022, and Nov 2022. See Table 1 below. On average the County was 3.3 days late in these occurrences. There was no enforcement action CCCERA could take on late report submissions as the County's contributions were made timely. The Treasurer-Tax Collector's Office has no outstanding follow-up items on this observation.*

Table 1: Receipt Dates of Input Files for January 2021 through March 2023

Payroll Month	Due Date	Received Date	Days Late
May 2021			
I30 payroll file	7/9/21	7/13/21	4
September 2021			
I30 payroll file	11/10/21	11/15/21	5
April 2022*			
I29 demographics file	6/10/22	6/12/22	3
I30 payroll file	6/10/22	6/12/22	3

Payroll Month	Due Date	Received Date	Days Late
August 2022			
I29 demographics file	10/8/22	10/11/22	2
I30 payroll file	10/8/22	10/12/22	4
October 2022			
I30 payroll file	12/9/22	12/13/22	4
November 2022			
I29 demographics file	1/10/23	1/11/23	1
		Average	3.3

*For April 2022, CCCERA was aware of the delay and verbally agreed with the County to a later date.

INPUT FILE REVIEW

Employer Certification

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

- *Observation 2: Employer certification did not properly occur via CCCERA's secure file transfer site since at least February 2023. This is an internal CCCERA issue that CCCERA IT has been working with the vendor on a solution. The Treasurer-Tax Collector's Office or the County has no outstanding follow-up items on this observation.*

  Since 2019, employers have been submitting I29 and I30 files electronically via CCCERA's Secure File Transfer Protocol (SFTP) site. Each time employers submit the I29 and I30 files, they must accept the terms of service (i.e. Terms of Service popup window) which include certification of the files. However, CCCERA learned that the Terms of Service popup window stopped working after vendor's server upgrade in February 2023. This upgrade changed the Terms of Service popup window setting from agreeing to the Terms of Service at Every Login to First Login.

  CCCERA IT has installed the Term of Service Reporting database in June 2023 to document when employers accept the Terms of Service upon first login. Additionally, CCCERA IT included the report certification language in the confirmation email employers receive each time they submit the I29 and I30 files. Starting with the County's May 2023 reports (due July 10, 2023), CCCERA has begun to maintain the confirmation emails containing employer's certification to ensure proper employer certification of monthly I29 and I30 files.

COMPENSATION LIMITS

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

Legacy Members:

- The Internal Revenue Code Section 415(b) provides for dollar limitations on benefits and contributions under qualified retirement plans which are adjusted annually for cost-of-living increases.
- Members who commenced participation in CCCERA on or after January 1, 1996 are subject to the annual federal Internal Revenue Code Section 401(a)(17) compensation limit.
- For CERL benefit formulas (General Tiers 1, 3, Safety Tiers A & C), the 2022 calendar year compensation limit was increased by the I.R.S. from $290,000 to $305,000 for calendar year 2021.
- Members who commenced participation in CCCERA prior to January 1, 1996 are not subject to the Internal Revenue Code annual compensation limit.

PEPRA Members:

- For new employees who commenced participation in CCCERA on or after January 1, 2013 under PEPRA benefit formulas (General Tiers 4,5, Safety Tiers D & E), the compensation which exceeds that annual pensionable compensation limit under California Government Code Section 7522.10(c) and (d) is not included in determining benefits or contributions.
- The 2022 calendar year PEPRA compensation limits are as follows:
    - For employees enrolled in Social Security – increased to $134,974.
    - For employees not enrolled in Social Security – increased to $161,969.
- The 2021 calendar year PEPRA compensation limits are as follows:
    - For employees enrolled in Social Security the limit was $128,059.
    - For employees not enrolled in Social Security the limit was $153,671.

➢ *Observation 3: None*

PAYROLL REPORTING – PENSIONABLE COMPENSATION AND CONTRIBUTION REVIEW

Compensation Earnable Applicable Law for Legacy Members

"Compensation earnable" by a member means the average compensation as determined by the board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay. The computation for any absence shall be based on the compensation of the position held by the member at the beginning of the absence. Compensation, as defined in Section 31460, that has been deferred shall be deemed "compensation earnable" when earned, rather than when paid. (Gov. Code Section 31461(a).)

CCCERA's Compensation Earnable Policy sets forth the definition of Compensation Earnable as well as exclusions from Compensation Earnable.

Pursuant to CCCERA's "Compensation Earnable Policy"[1], Section III.D. "Compensation Earnable" excludes payments for additional services rendered outside of normal working hours.

CCCERA Policies and Practices. Pay received for services rendered outside normal working hours is not included in "compensation earnable." To be included, the time for which compensation is received:

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

Pay that will be reviewed under these conditions is often described as "standby" and "on-call." Employers should utilize two separate pay codes: one for pensionable pay that meets the above three-point test; and the other for non-pensionable pay that does not meet the test; and must report to CCCERA as pensionable only that pay that meets the test set forth above. Employer contributions should only be taken against the pensionable pay code.

Pensionable Compensation Applicable Law for PEPRA members

PEPRA defines "pensionable compensation" as follows:

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

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

PEPRA excludes from "pensionable compensation" the following:

(1) Any compensation determined by the board to have been paid to increase a member's retirement benefit under that system.
(2) Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member and which was converted to and received by the member in the form of a cash payment.
(3) Any one-time or ad hoc payments made to a member.

[1] https://www.cccera.org/sites/main/files/file-attachments/post_ab_197_compensation_earnable_policy_final.pdf?1620253572

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

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

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

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

➢ *Observation 4: None*

SALARIES IN ACCORDANCE WITH PUBLICLY AVAILABLE PAY SCHEDULE

➢ *Scope Item 2: No exceptions were observed in this section.*

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

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

➢ *Observation 5: No exceptions were observed in this section.*

ENROLLMENT OF ELIGIBLE EMPLOYEES

➢ *Scope Item 3: Missing/incomplete Enrollment Packets were noted during the review.*

1. Exclusion from Membership – By Type of Employment

A. All officers and employees of the County or districts shall be members of the association as provided in Article 4 under Sections 31550-31567 of the County Employees' Retirement Law of 1937 (Gov. Code Secs. 31450, et seq. "CERL"), unless excluded from membership by this Section.

B. The following employees shall be excluded from membership:

i. Temporary, seasonal or independent contract employees who are employed or re-employed for temporary service or at certain specified periods each year.

ii. Intermittent or permanent-intermittent employees who are appointed to serve less than 80% of the full number of working hours required of regular employees or who actually serve less than 80% of such full number of working hours in one year as certified by their appointing authority.

iii. Part-time employees whose service for the County or district is less than fifty (50) percent of the full number or working hours required of fulltime employees at that employer.

iv. Project employees, unless the appointing authority certifies that the project is expected to be of one year or more in duration on a greater than part-time basis.

v. Provisional employees, unless they otherwise meet the requirements for reciprocal benefits with other retirement systems under Article 15 of CERL.

C. In making its determination regarding an employee's inclusion in or exclusion from membership, the Board will not rely solely upon the term given to the type of employment. Rather, the Board will rely upon such additional facts such as the nature of the employment, its expected or actual duration, and its relationship to what is considered full-time, permanent employment.

2. Exclusion from Membership – by Compensation

Except as otherwise herein provided, all employees of the County or district who receive compensation amounting to less than one-hundred ($100) dollars per month, and in the case of employees paid on other than a monthly basis an average of one-hundred ($100) dollars per month for the preceding year, including maintenance valued according to the schedule adopted by the governing body, are hereby excluded and exempted from membership in the Retirement Association. Any member of the Retirement Association whose salary is reduced to an amount less than one-hundred ($100) dollars per month shall have the option of continuing or discontinuing his/her active membership in the Association.

2.1 Exclusion from Membership – by Waiver

Newly hired employees age 60 and older may waive membership as authorized by Gov. Code Section 31552. Any such waiver of membership shall be effective only if it is submitted to the CCCERA Retirement Chief Executive Officer within 90 days of the employee's date of hire; provided, however, that the Retirement Chief Executive Officer may, in his/her sole and reasonable discretion, waive the time limitation if the newly hired employee establishes good cause for such a waiver.

- *Observation 6: Enrollment forms were missing or incomplete for six (6) members.*

CCCERA reviewed a sample of 20 active members for testing, of which 11 were hired during 2019-2023. The audit found 6 members with missing or incomplete enrollment forms on file as summarized in Table 2 below. In 5 of the 6 instances, CCCERA Member Services sent multiple letters to the members directly requesting the missing information but did not receive a response. CCCERA notified the Treasurer-Tax Collector's Office during the audit of the missing/ incomplete forms and have received all 6 enrollment forms on June 26, 2023. The Treasurer-Tax Collector's Office has no outstanding follow-up items on this observation.

Table 2: Summary of Missing/ Incomplete Enrollment Forms

Hire/ Rehire Date	Audit Observation
12/01/22	Missing spouse waiver on Form 102; missing adult witness signature on Form 104
03/21/22	Form 102 not signed by member
01/31/22	Missing adult witness signature on Form 104
07/06/21	Missing adult witness signature on Form 104
11/09/20	Missing adult witness signature on Form 104
08/20/12	Missing Form 101
Total of 6 members	

PENSION BENEFIT REVIEW

➢ *Scope Item 4: No exceptions were observed in this section.*

REVIEW OF PENSION BENEFIT CALCULATIONS

1. Compensation Policies
   i. *Compensation Earnable Policy* – Adopted: 9/10/2014, Amended: 5/5/2021; GC 31461;
   ii. *Policy On Determining "Pensionable Compensation" Under PEPRA For Purposes Of Calculating Retirement Benefits* - Adopted: 9/10/2014; GC 7522.34;
   iii. *Policy Regarding Assessment and Determination Of Compensation Enhancements* – Adopted 11/1/2012, Amended: 3/8/2017; GC 31461(b)(1) and 7522.34(c)(1)

➢ *Observation 7: None*

RETIREE RETURN TO WORK MONITORING

2. Retiree Return to Work Monitoring
   i. GC 7522.56 Retired Persons; Service and Employment Restrictions

➢ *Observation 8: None*

FORFEITURE OF BENEFITS EARNED OR ACCRUED FROM THE COMMISSION OF A FELONY

3. Felony Forfeiture Monitoring and Notification – GC 7522.72(g) and GC 7522.74(g)

➢ *Observation 9: None*

INTERNAL REVENUE CODE SECTION 415 COMPLIANCE

As adopted on December 8, 2010 and amended on January 9, 2013, July 11, 2018 and September 8, 2021.

➢ *Observation 10: None*

FOLLOW-UP ITEMS

The following items were noted during the review and require follow-up by the Treasurer-Tax Collector's Office and CCCERA:

The Treasurer-Tax Collector's Office has no outstanding follow-up items resulting from the audit.

EMPLOYER REPLY

The following reply was received from the Treasurer-Tax Collector's Office to CCCERA:

Office of the Treasurer-Tax Collector
Contra Costa County

Russell V. Watts
Treasurer-Tax Collector

Ronda Boler
Executive Secretary

Belinda Zhu
Assistant County Treasurer

Lulis Lopez
Assistant County Tax Collector

July 25, 2023

Cherry Chang, Internal Auditor
Contra Costa County Employees' Retirement Association
1200 Concord Avenue, Sute 300
Concord, CA 94520

SUBJECT: CCCERA Employer Audit Report—Contra Costa County Treasurer-Tax Collector's Office

Dear Ms. Chang,

I would like to thank you for the professionalism and collaboration extended to my staff during the audit. It has been a pleasure working with you.

I am pleased to learn there were no follow-up items noted for the Office, that all missing or incomplete enrollment forms had been resolved.

Going forward, I would ask CCCERA to copy the Office on letters sent to our employees requesting missing information in order for staff to assist in a timely manner.

Most sincerely,

Russell V. Watts
Treasurer-Tax Collector

625 Court Street, Finance Building, Room 100, P. O. Box 631, Martinez, California 94553-0063
PHN: (925) 608-9588 FAX: (925) 608-9597 WEB: www.cctax.us

Meeting Date
09/27/2023
Agenda Item
#10

Contra Costa County Employees' Retirement Association

EMPLOYER AUDIT REPORT

September 5, 2023

EMPLOYER AUDIT

Contra Costa County Veterans Service Office

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Contra Costa County Employees' Retirement Association

September 5, 2023

Buck Carmichael
Acting Veterans Service Officer
Contra Costa County
Veterans Service Office
10 Douglas Drive,
Suite 100
Martinez, CA 94533

RE: CCCERA Employer Audit Report – Contra Costa County Veterans Service Office

Dear Mr. Carmichael,

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

The *Employer Audit Report* is enclosed for your review. I would direct your attention to the "*Observations"* made under each scope item of the report. CCCERA is in receipt of a written response from the Veterans Service Office dated July 27, 2023 pertaining to Observation #1 - Accuracy indicated in the report. This response will be included in the "*Final Report"* which will be submitted to CCCERA's Audit Committee for its review.

This report will be placed on the agenda and will be presented to the CCCERA Board of Retirement Audit Committee at its September 13, 2023 meeting.

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

Best regards,

Wrally Dutkiewicz
Compliance Officer

CC: Buck Carmichael, Acting Veterans Service Officer
Monica Nino, Contra Costa County Administrator
Robert Campbell, Contra Costa County Auditor Controller
Cherry Chang, CCCERA Internal Auditor

BACKGROUND

The Contra Costa County Employees' Retirement Association (CCCERA) is a public employee retirement system that was established by Contra Costa County on July 1, 1945, and is administered by the Board of Retirement (Board) to provide service retirement, disability, death, and survivor benefits for Contra Costa County (County) employees and 15 other participating agencies under the California State Government Code, Section 31450, et. seq. (County Employees Retirement Law of 1937 or CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA).

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

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

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

The Contra Costa County Veterans Service Office (VSO) provides services to "…*Veterans and their dependents in filing for VA benefits that would be appropriate. These include but may not be limited to Service-connected Disability Compensation; Non-Service-connected Disability Pension; Educational Benefits for the Veteran as well as Family Members if they meet eligibility. There are also Burial Benefits for the Veteran; Survivors DIC if the military member died in the service or of Service-Connected Disabilities; and Death Pension, provided the Veteran served during wartime. We also provide benefits verifications and information which can be used for establishing social services assistance and we can help obtain Military Discharge papers.*[1]"

[1] https://www.contracosta.ca.gov/1674/Our-Services

The VSO also assists Veterans by providing information and referral for[2]:

- Agent Orange programs.
- Alcoholism and drug treatment programs.
- State of California Veterans benefits.
- Veterans home loans.
- Hospital care.
- Outpatient medical and dental care.
- Small Business Administration programs.
- Employment and job search resources

Per CCCERA records, the Veterans Service Office had approximately thirteen active employees in 2022 and for these employees the County reported pensionable compensation to CCCERA of approximately $710,000 along with $55,000 in employee pension contributions and $145,000 in employer pension contributions in 2022. As of December 31, 2022, CCCERA had six (6) retirees on record for the VSO with a total paid benefit amount of approximately $210,000.

[2] https://www.contracosta.ca.gov/1674/Our-Services

SCOPE

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

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

The CCCERA audit of the Veterans Service Office was conducted virtually between June and July 2023. The review period encompassed active employee records and retired employee records from 2021 through 2022.

OBSERVATIONS AND FINDINGS

ACCURACY OF PAYROLL INFORMATION PROVIDED TO CCCERA

➢ *Scope Item 1: An exception was noted – Payroll File Accuracy*

PAYROLL AND REPORTING PROCESS AND RECEIVABLES REVIEW

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

Due Dates:

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

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

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

➢ *Observation 1: Accuracy*

The VSO identified a timekeeping error for a member for sick leave the member took on 11/16/21 and 11/18/2021. The accrual use was not reflected on the VSO's timekeeping records for the month and was not reported to County Payroll and subsequently was not reported on payroll reports submitted to the retirement system.

Follow-Up:

The VSO will follow up with County Payroll to confirm that an adjustment (if any) should be performed on the member's record for November 2021 to account for the member's sick leave accrual use.

CCCERA's staff review on the member's record revealed that if no adjustment was made to the November 2021 payroll reporting file there would be very little, to no impact, since the member had not, and is not retiring, and the cumulative impact of 16 hours of sick leave on additional pension service credit would be negligible.

INPUT FILE REVIEW

Employer Certification

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

- *Observation 2:*
  It was noted by CCCERA's Internal Auditor that there was a defect with CCCERA's employer certification in which the certification box did not appear every time when files were submitted to CCCERA. To remedy, the employer certification was added to the file transmission confirmation that both the employer and CCCERA receives and was confirmed with the transmission of audit payroll files from VSO to CCCERA.

COMPENSATION LIMITS

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

- The Internal Revenue Code Section 415(b)provides for dollar limitations on benefits and contributions under qualified retirement plans which are adjusted annually for cost-of-living increases.
- Members who commenced participation in CCCERA on or after January 1, 1996 are subject to the annual federal Internal Revenue Code Section 401(a)(17) compensation limit.
- For CERL benefit formulas (General Tiers 1, 3, Safety Tiers A & C), the 2022 calendar year compensation limit was increased by the I.R.S. to from $290,000 to $305,000 for calendar year 2021.
- Members who commenced participation in CCCERA prior to January 1, 1996 are not subject to the Internal Revenue Code annual compensation limit.

PEPRA Members:

- For new employees who commenced participation in CCCERA on or after January 1, 2013 under PEPRA benefit formulas (General Tiers 4,5, Safety Tiers D & E), the compensation which exceeds that annual pensionable compensation limit under California Government Code Section 7522.10(c) and (d) is not included in determining benefits or contributions.
- The 2022 calendar year PEPRA compensation limits are as follows:
  - For employees enrolled in Social Security – increased to $134,974.
  - For employees not enrolled in Social Security – increased to $161,969.
- The 2021 calendar year PEPRA compensation limits are as follows:
  - For employees enrolled in Social Security the limit was $128,059.
  - For employees not enrolled in Social Security the limit was $153,671.

➢ *Observation 3: None*

PAYROLL REPORTING – PENSIONABLE COMPENSATION AND CONTRIBUTION REVIEW

Compensation Earnable Applicable Law for Legacy Members

Compensation earnable" by a member means the average compensation as determined by the board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay. The computation for any absence shall be based on the compensation of the position held by the member at the beginning of the absence. Compensation, as defined in Section 31460, that has been deferred shall be deemed "compensation earnable" when earned, rather than when paid. (Gov. Code Section 31461(a).)

CCCERA's Compensation Earnable Policy sets forth the definition of Compensation Earnable as well as exclusions from Compensation Earnable.

"Compensation earnable" does not include, in any case, the following:
"Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise." (G.C. § 31461(b)(3).)

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

CCCERA Policies and Practices. Pay received for services rendered outside normal working hours is not included in "compensation earnable." To be included, the time for which compensation is received:

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

Pay that will be reviewed under these conditions is often described as "standby" and "on-call." Employers should utilize two separate pay codes: one for pensionable pay that meets the above three-point test; and the other for non-pensionable pay that does not meet the test; and must report to CCCERA as pensionable only that pay that meets the test set forth above. Employer contributions should only be taken against the pensionable pay code.

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[3] https://www.cccera.org/sites/main/files/file-attachments/post_ab_197_compensation_earnable_policy_final.pdf?1620253572

Pensionable Compensation Applicable Law for PEPRA members

PEPRA defines "pensionable compensation" as follows:

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

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

PEPRA excludes from "pensionable compensation" the following:

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

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

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

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

- *Observation 4:*
  None.

SALARIES IN ACCORDANCE WITH PUBLICLY AVAILABLE PAY SCHEDULE

- *Scope Item 2: No exceptions were observed in this section.*

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

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

- *Observation 5: No exceptions were observed in this section.*

ENROLLMENT OF ELIGIBLE EMPLOYEES

➢ *Scope Item 3: No exceptions noted in this section.*

1. Exclusion from Membership – By Type of Employment

A. All officers and employees of the County or districts shall be members of the association as provided in Article 4 under Sections 31550-31567 of the County Employees' Retirement Law of 1937 (Gov. Code Secs. 31450, et seq. "CERL"), unless excluded from membership by this Section.

B. The following employees shall be excluded from membership:

i. Temporary, seasonal or independent contract employees who are employed or re-employed for temporary service or at certain specified periods each year.

ii. Intermittent or permanent-intermittent employees who are appointed to serve less than 80% of the full number of working hours required of regular employees or who actually serve less than 80% of such full number of working hours in one year as certified by their appointing authority.

iii. Part-time employees whose service for the County or district is less than fifty (50) percent of the full number or working hours required of fulltime employees at that employer.

iv. Project employees, unless the appointing authority certifies that the project is expected to be of one year or more in duration on a greater than part-time basis.

v. Provisional employees, unless they otherwise meet the requirements for reciprocal benefits with other retirement systems under Article 15 of CERL.

C. In making its determination regarding an employee's inclusion in or exclusion from membership, the Board will not rely solely upon the term given to the type of employment. Rather, the Board will rely upon such additional facts such as the nature of the employment, its expected or actual duration, and its relationship to what is considered full-time, permanent employment.

2. Exclusion from Membership – by Compensation

Except as otherwise herein provided, all employees of the County or district who receive compensation amounting to less than one-hundred ($100) dollars per month, and in the case of employees paid on other than a monthly basis an average of one-hundred ($100) dollars per month for the preceding year, including maintenance valued according to the schedule adopted by the governing body, are hereby excluded and exempted from membership in the Retirement Association. Any member of the Retirement Association whose salary is reduced to an amount less than one-hundred ($100) dollars per month shall have the option of continuing or discontinuing his/her active membership in the Association.

2.1 Exclusion from Membership – by Waiver

Newly hired employees age 60 and older may waive membership as authorized by Gov. Code Section 31552. Any such waiver of membership shall be effective only if it is submitted to the CCCERA Retirement Chief Executive Officer within 90 days of the employee's date of hire; provided, however, that the Retirement Chief Executive Officer may, in his/her sole and reasonable discretion, waive the time limitation if the newly hired employee establishes good cause for such a waiver.

3. Certifications

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

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

Observation 6:
None.

PENSION BENEFIT REVIEW

➢ *Scope Item 4: No exceptions were observed in this section.*

REVIEW OF PENSION BENEFIT CALCULATIONS

1. Compensation Policies
   i. *Policy On Determining "Compensation Earnable Under Assembly Bill 197 For Purposes Of Calculating Retirement Benefits For "Legacy" (Pre-PEPRA) Members* – Adopted: 9/10/2014; GC 31461;
   ii. *Policy On Determining "Pensionable Compensation" Under PEPRA For Purposes Of Calculating Retirement Benefits* - Adopted: 9/10/2014; GC 7522.34;
   iii. *Policy Regarding Assessment and Determination Of Compensation Enhancements* – Adopted 11/1/2012, Amended: 3/8/2017; GC 31461(b)(1) and 7522.34(c)(1)

➢ *Observation 7: None*

RETIREE RETURN TO WORK MONITORING

2. Retiree Return to Work Monitoring
   i. GC 7522.56 Retired Persons; Service and Employment Restrictions

➢ *Observation 8: None*

FORFEITURE OF BENEFITS EARNED OR ACCRUED FROM THE COMMISSION OF A FELONY

3. Felony Forfeiture Monitoring and Notification – GC 7522.72(g) and GC 7522.74(g)

➢ *Observation 9: None*

INTERNAL REVENUE CODE SECTION 415 COMPLIANCE

As adopted on December 8, 2010 and amended on January 9, 2013, July 11, 2018, September 8, 2021, and August 9, 2023.

➢ *Observation 10: None.*

FOLLOW-UP ITEMS

The following items were noted during the review and require follow-up by Veterans Service Office:

- None.

EMPLOYER REPLY

The following reply was received from the Contra Costa County Veterans Service Office to CCCERA:

Contra Costa County Veterans Service Office

10 Douglas Drive, #100
Martinez, CA 94553-4078
(925) 313-1481 FAX (925) 313-1490

2101 Vale Road, #302
San Pablo, CA 94806
(510) 374-3241 FAX (510) 374-7955

3361 Walnut Blvd, #140
Brentwood, CA 94513
(925) 313-1481 FAX (925) 313-1490

400 Hartz Avenue, #208
Danville, CA 94526
(925) 313-1481 FAX (925) 313-1490

July 27, 2023

Wrally Dutkiewicz
Compliance Officer
CCCERA
1200 Concord Avenue, Ste. 300
Concord CA 94520

Re: 2021 Time reporting error

Dear Wrally,

Our payroll department has informed us that the 2021-time reporting error for [redacted], in which 16 hours of PTO was not input, cannot be corrected. They made this determination after reviewing the employee's MOU regarding pay warrant errors and found that the period in which corrections can be made is one year.

Please let me know if you need any additional information.

Respectfully,

Buck Carmichael
Assistant County Veterans Service Officer
Contra Costa County Veterans Service Office
10 Douglas Drive, Ste. 100
Martinez, CA 94553