

At Your Service

July 2016

Orange County Employees Retirement System

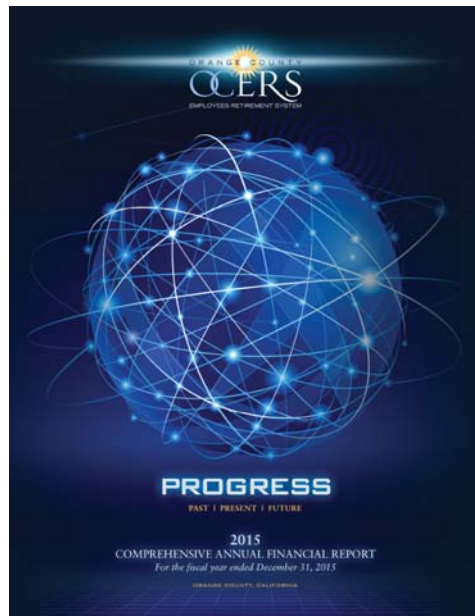
Quarterly Newsletter

CAFR – Tells the Financial Story

The Comprehensive Annual Financial Report (CAFR) tells OCERS' annual financial story. The CAFR provides detailed information on OCERS' assets, liabilities, revenues and expenditures for the 2015 calendar year; as well as our operating costs and investment returns. Understanding the financial operations of OCERS may be one of the most important stories you hear this year.

The theme of this year's CAFR is PROGRESS: Past, Present and Future and is presented in six sections that include:

1. **Introductory Section:** Includes the CEO's Letter of Transmittal, organizational chart, and a list of professional consultants
2. **Financial Section:** External auditor's report, executive financial analysis (Management Discussion and Analysis), and basic financial statements
3. **Investment Section:** Investment holdings, current allocation targets, fee schedules, and various performance metrics
4. **Actuarial Section:** Actuarial methods and assumptions as well as the history of employer contribution rates and a summary of major plan provisions



5. **Statistical Section:** Agency-specific financial trends, demographic/economic statistics, and operating information
6. **Glossary of Terms:** Provides clear definitions of key terms that assist readers in understanding the CAFR

OCERS has released its CAFR for the fiscal year ended December 31, 2015. The report is posted on the OCERS Web site finance page.

At Your Service



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External Operations

Suzanne Jenike

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Brenda Shott, CPA

At Your Service is published for members and retirees of the Orange County Employees Retirement System. Comments and suggestions should be directed to:

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At Your Service is edited and designed by Robert Kinsler and Jayne Ritchey

Board of Retirement Meetings:

All regular business meetings are held in the OCERS Board Room at 9:00 a.m. (unless otherwise specified)

January 19, 2016	February 16, 2016
March 21, 2016	April 18, 2016
May 16, 2016	June 22, 2016
July 18, 2016	August 15, 2016
October 17, 2016	November 14, 2016
December 19, 2016	

Future agendas can be found at ocers.org.

This newsletter is intended to provide you with general information. It does not constitute legal advice, and OCERS cannot provide legal advice to members. If there are any discrepancies between the information in this newsletter and the law, the law will prevail. Should you have legal questions, you are advised to consult an attorney.

OCERS Pension Impacts Social Security

As an active member of OCERS you are not participating in Social Security during your OCERS-covered employment; however you may have had a job covered by Social Security before coming to work for your current employer. If you are eligible for a Social Security benefit you need to know that the pension you receive from OCERS could reduce your Social Security benefits.

Social Security has two provisions that can impact retirees: the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). These provisions apply if you receive a government pension for work where Social Security taxes were not taken out of your pay – like OCERS.

Windfall Elimination Provision (WEP)

The WEP applies to people who earned a pension in any job where they did not pay Social Security taxes, and also worked in other jobs long enough to qualify for a Social Security benefit (40 quarters).

The WEP affects how the amount of your Social Security benefit is calculated. A modified formula is used, resulting in a lower Social Security benefit than you would otherwise receive.

Government Pension Offset (GPO)

The GPO applies only if you are eligible for Social Security benefits as a spouse. The GPO reduces or eliminates Social Security spousal and survivor benefits for those who collect pensions from jobs that were not covered by Social Security.

Social Security benefits paid to spouses, widows and widowers are “dependent’s” benefits. GPO requires a person’s spouse, widow, or widower benefit to be offset by the dollar amount of their own retirement allowance (including an OCERS pension).

Both WEP and GPO are confusing, so to get more information plan to attend an upcoming Pre-Retirement Sessions at OCERS (see page 6) or visit ssa.gov and check out the WEP and GPO Fact Sheets available on that Web site.

Frank Eley Honored for 17 Years of Dedicated Service on Board of Retirement

At its regular meeting on May 16, 2016, OCERS' Board of Retirement honored Frank Eley for his more than 17 years of dedicated service on the OCERS Board.

Mr. Eley was praised for his professional approach in working through the wide range of administrative and investment-related matters that come before the Board on a regular basis.

Mr. Eley retired from the County of Orange as a Systems Analyst with OC Public Works where he had worked since 1982. While serving on the OCERS Board he served as Board Chairman in 2002 and again in 2014 in addition to many committee assignments.



Mr. Eley also served for many years on the Orange County Employees Association (OCEA) board and was also a member of the County's post-bankruptcy Government Practices and Oversight Committee, and the County's Deferred Compensation board.

OCEA Health Fair Welcomes OCERS

Members of OCERS' staff will be at the upcoming OCEA Health Fair on September 13th to assist members about OCERS benefits. In addition to answering general questions about retirement benefits, OCERS will be distributing informational materials, and will have an iPad to demonstrate how members can access their myOCERS account and other features on OCERS' Web site.

In recent months, staff members have attended a number of plan sponsor health fairs, and have been able to assist members and answer questions about topics ranging from reciprocity to plan formulas and benefit estimates.



The OCEA Health Fair will be held 10 a.m. to 1 p.m. on Tuesday, September 13th. The event will be held at OCEA Headquarters, 830 N. Ross Street, Santa Ana. Information: 714-835-3355.



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Financial Classes Provide Members With Confidence

While overall confidence about being able to afford a comfortable retirement has plateaued among American workers, preparations to save for retirement are still lagging, according to the 2016 Retirement Confidence (RCS) by the Employee Benefit Research Institute (EBRI) and Greenwald and Associates.

The RCS finds that the percentage of workers who reported they and/or their spouse had saved for retirement peaked in 2009 (to 75 percent), but declined to the mid- to high-60 percent level thereafter and remains at that level (69 percent in 2016).

Understanding the steps you as a member of OCERS can take to gain financial confidence is a key reason to enroll in our free Financial Planning Class. The three night class teaches members worthwhile tools to:

- Create a path to follow and make appropriate financial decisions
- Know when you can retire and how much you will need
- Identify factors that can positively or negatively impact your plan to retire
- Make appropriate investment selections for your short, mid and long-term goals
- Locate resources for further education and planning

The financial advisor will also review topics such as income tax planning, estate planning, proper beneficiary designations, and calculating Social Security benefits among other things. Additionally, an OCERS representative will give an overview of the OCERS pension plan; including the factors that go into payee's monthly retirement allowance, benefit estimates and disability retirement options.

Members will have an opportunity to

Scheduled dates for upcoming Financial Planning classes:

Wednesdays

October 12, 19 and 26, 2016
6 – 9:30 p.m.

November 2, 9 and 16, 2016
6 – 9:30 p.m.

meet with the financial advisor once the class is completed at no cost on a one-on-one basis to have specific questions answered. A personalized financial plan will be created with recommendations for the best steps to achieving your financial goals. Attendees have found this individualized planning to be extremely valuable.

Financial Planning Classes are held in OCERS' Training Room, 2223 E. Wellington Avenue, Santa Ana, CA 92701. The 3-night class is free; however, seating is limited so reservations are required. To make your reservation to attend this class, visit ocers.org and see the "Retirement Seminars" page.



OCERS Hires New General Investment Consultant

By Girard Miller, Chief Investment Officer

On May 25, 2016, the Investment Committee selected Meketa Investment Group as OCERS' new general investment consultant. A general consult is responsible for independently help guide and review OCERS investment strategies and policy, assisting in manager searches, and providing performance reporting, general program analysis and board education.

The selection of Meketa came after an intensive four-month search. Periodic bidding of all our major consulting engagements is required under OCERS' service provider policy. Meketa advises on \$394 billion in assets for 113 institutional clients, including 35 public funds – 24 of which are public pension funds. While Meketa is headquartered in Westwood, MA, the firm also has an office in nearby Carlsbad (located in North San Diego County).

Meketa's engagements with California-based public pension funds includes CalSTRS (general consulting and project specialty consulting), CalPERS (non-discretionary infrastructure, and timber and project general consulting); Meketa was recently selected by the Los Angeles County Retirement Association (LACERA) as their general investment consultant.

The selection of Meketa is one of several high-profile initiatives by OCERS to find and engage essential service providers in 2016. The last few months have seen OCERS issue Request for Proposals for Actuarial and Consulting Services, a Global Custodian, an Operational Due Diligence Provider, and a Strategic Portfolio and Risk Advisor. The OCERS Service Provider policy requires a



public procurement of named providers every five or six years.

OCERS' Board of Retirement and staff has long believed that a competitive procurement process results in finding the best service providers at the most reasonable and transparent costs, to help OCERS navigate through the myriad of challenges that face our retirement system.

Your OCERS on myOCERS

myOCERS is our secure, self-service portal that allows you to quickly and easily access your personal information and conduct business with OCERS 24 hours a day 7 days a week.

If you are retired, you can view your payment history, see your 1099-R and even change your address and phone number. Active members can run benefit estimates, get a current account balance statement and update their beneficiary information.

Not registered yet? Go to ocers.org and click on the "myOCERS" link on the upper left corner.

Pre-Retirement Sessions Coming This Summer

Can you afford to retire? This is the first and maybe the most important question you need to answer before deciding to retire. Experts predict that you need approximately 80 percent of your working income to maintain your current standard of living in retirement. Your OCERS defined benefit pension is an important part of the equation.

You may have other programs to help you achieve financial security, including an optional 457 plan, Social Security and other savings. A successful retirement starts by understanding the benefits you can count on when you retire.

If retirement is in your near future you should

plan on attending OCERS' Pre-Retirement Sessions which are designed to help members navigate the choices that impact employees approaching retirement.

The retirement-related sessions are designed to provide a wide-range of information and resources to help any active or deferred member take the necessary steps to make their move into retirement. All sessions will be held at OCERS, 2223 E. Wellington Avenue, Santa Ana.

The upcoming **Pre-Retirement Sessions will be held on July 20, 2016; August 3 and 17, 2016; September 7 and 21, 2016; and October 5 and 19, 2016.**

Pre-Retirement Sessions Schedule

8 – 9:30 a.m.	Social Security and Medicare session
9:45 – 10 a.m.	Retired Employees Association of Orange County (REAOC) session
10 – 11:30 a.m.	Orange County Employees Retirement System (OCERS) session
12:30 – 1:05 p.m.	County Deferred Compensation Plan (Empower Retirement) session
1:05 – 3 p.m.	County of Orange Retiree Medical session

County of Orange Annual Benefits Open Enrollment

The annual benefits Open Enrollment for County of Orange retirees will take place from October 28 - November 14, 2016. To ensure you make informed decisions about your County benefits, you are encouraged to carefully read the communications mailed to you by Employee Benefits and the Benefits Center. To ensure that you receive these important mailings, it is very important to keep your mailing address current in the Benefits Center system.

To change your address, please call the toll-free Benefits Resource Line by September 9th and speak to a Benefits Specialist at 1-866-325-2345. Open Enrollment materials will be sent to the address on file and if the change is made after that date, you may miss important information about your 2017 benefits options and costs. Don't miss the important mailing that will be sent in early October containing your Personal Identification Number (PIN), which allows you to access the Benefits Center Web site. **Important note:** active members working for the County should ask their Agency's Human Resource Services or Payroll department to update their address in the County payroll system.

OCERS' Assumptions Matter

OCERS' contribution rates, unfunded liability and funded ratio are calculated based on assumptions about many future events, such as the average age when members will retire, their annual rate of salary growth, how long members live after retirement and the expected return on invested assets.

Of all the assumptions used to estimate the cost of a public pension plan, none has a larger impact than the investment return assumption. This is because, over time, earnings from investments account for about one-half of the revenues required to fund benefits.

The current OCERS assumed rate of return is 7.25%; the Board of Retirement typically revisits the rate every three years. This rate represents what OCERS' Board of Retirement believes the plan can realistically earn from its investments on an annual basis, when averaged over the long-term. In any given year, investment returns are likely to be higher or lower than the long-term assumed rate. The OCERS one-, three-, five-, 10-, and 20-year investment returns for the periods ended May 31, 2016, were -1.62%, 4.59%, 5.08%, 5.53%, and 7.23%, respectively.



OCERS Board invests in a diverse mix of asset classes based on an investment policy that is formulated with the help of the Investment Consultant and Staff.

Protecting Your Personal Information is a Priority

In recent months, OCERS has implemented new security measures to better protect your confidential information and reduce risks to both you and the retirement system. It is important to be aware of these measures if you call OCERS, or come into our office for service.

One of our more visible measures is a new policy that requires members coming into our office and submitting documents to show valid identification. And if you call our office for service, OCERS' staff is going to ask identifying questions before they can assist you with any personalized inquiry.

If you are a payee and change or update your direct deposit information, OCERS will call you to verify your identity before any changes are made; if OCERS' staff is unable to reach you, the changes relating to a new financial institution or account will not be made.

Because of these enhanced measures, it is important for you to set up an account on the new myOCERS member portal and activate your new Username, Password and security question. After you set up your myOCERS account, OCERS will mail you a letter notifying you that an account with your name has been established; call our office immediately at 714-558-6200 if you receive such a letter but don't believe you have set up such an account.



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OCERS Videos Keep You Up-To-Date

OCERS' Video Library is designed to help keep you up-to-date on retirement-related topics such as the retirement process, the annual Cost of Living Adjustment (COLA), reciprocity, retirement payment options, using the Benefits Calculator and working after retirement.

For members who have questions related to a specific subject, the educational videos often provide the information they need and all are available 24 hours a day, 7 days a week.

More than a dozen videos are posted on OCERS' Web site. The videos are each under five minutes and provide information in clear language. Those online videos, daytime Pre-Retirement Sessions and evening Financial Planning Classes, quarterly issues of the *At Your Service* newsletter, as well as the more in-depth Summary Plan Description are among the many resources available to members interested in learning more about their OCERS benefits.

For more information, visit ocers.org and click on the "Video Library" link on the home page.



Coming up in our next issue of
At Your Service...

OCERS by the Numbers