

At Your Service

October 2016

Orange County Employees Retirement System

Quarterly Newsletter

\$1.2 Trillion in Economic Impact from Pensions

Most OCERS members know that their Defined Benefit (DB) pension provides a secure source of income. But what is not as well known is how the spending of pension benefits helps create economic activity and supports millions of jobs. A recent research report finds that retiree spending of pension benefits in 2014 generated \$1.2 trillion in total economic output, supporting more than 7 million jobs across the U.S.

“Pensionomics 2016: Measuring the Economic Impact of Defined Benefit Pension Expenditures” is an important report issued by the National Institute on Retirement Security (NIRS). The report measures the national economic impacts of both public pension plans (including OCERS) and private pension plans.

Some of the key findings of the report (authored by Jennifer Brown, NIRS manager of research):

- \$253 billion was paid to some 9.6 million retired employees of state and local governments and their beneficiaries (typically surviving spouses).
- The total economic output attributed to pension benefit expenditures in the United States in 2014 was \$1.2 trillion.
- In the state of California, retirees' expenditures from \$43.5 billion in pension benefit payments supported a total of \$65.4 billion in



total economic output in the state, and \$38.1 billion in value added in the state.

In 2014, California's unemployment rate was 7.5 percent. The fact that DB pension expenditures supported 394,514 jobs is significant, as it represents 20.52 percentage points in California's labor force.

For more information on the “Pensionomics 2016” research report, visit nirsonline.org.

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At Your Service



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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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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.

3 Things New Members Need to Know About OCERS

We know many of you are new to OCERS-covered employment and are reading *At Your Service* for the first time. Although retirement might be many years away, here are three key reasons to care about retirement early in your career.

1. Save now, collect later. In today's money and considering current mortality rates, you'd need to save about \$1 million for a pension that pays you \$51,000 a year for life. With mortgages/rent, student loans, car payments and other expenses facing you, it's unlikely you'd be able to save that much on your own. With your mandatory contributions, OCERS is your partner along with employer contributions and investment returns for you to have a lifetime pension you cannot outlive.

2. If you previously worked in the public sector, you may already have service credit you can claim. Service credit is earned by working for an OCERS-covered employer (also known as a "Plan Sponsor"). The more credit you have, the sooner you can potentially retire and the larger your benefit will be when you do. Even if you just joined OCERS, you may be able to purchase prior service earned through previous public service earned in California. The sooner you initiate your "buyback" of public time, the better. See the "An Introduction to the Service Purchase Process" article on page 3 for more information.

3. Your OCERS benefit may be a big piece of your retirement income. Understanding your OCERS-related benefits is important. The longer you are in the plan, the higher the benefit. The more you understand about your OCERS pension benefits, the better prepared you are to meet all your retirement goals. Read this and future issues of *At Your Service*, and be sure to visit the OCERS Web site to learn more about the retirement, disability and death benefits available to you depending on your plan type, years of service and other factors.

In addition, make sure to create your myOCERS account at ocers.org. myOCERS is a secure, members-only area on our Web site where you can find all your personal data related to your OCERS membership. If you have additional questions, please call us at 714-558-6200.

An Introduction to the Service Purchase Process

All active and deferred members of OCERS are permitted by the County Employees Retirement Law of 1937 (CERL) to purchase certain types of service credits. In our last article published on buying back service we reminded members that purchasing service must be completed prior to retirement. Since then, we've experienced a significant influx in requests especially when members submit retirement applications. That's great, as we want members to enhance retirement benefits to the maximum. Please be assured that our staff is working hard to respond as quickly as possible. Remember, it's never too early to purchase service. All members who think they are eligible to purchase service credits should do so at the first opportunity. Contributions paid to buy back service are deposited into member accounts and earn 5 percent interest annually.

Due to the complicated nature of service credit purchases, it usually takes up to six months to research and provide a cost estimate for each inquiry. When we receive last minute requests prior to retirement, those requests must be prioritized as the window to purchase service closes permanently once a retirement benefit has been paid. This, as well as an increased number of requests can impact the queue on work assignments, typically driven by request date. Our goal always is to serve all our members by providing timely and accurate calculations yet we are experiencing tremendous backlog and ask for your assistance to improve processing time.

What does OCERS need and who provides the required information?

You need to provide the date range of the time requested to purchase and a preferred daytime telephone number where we can reach you. Please refer to the list of additional documents needed before your eligibility of purchased service can be determined or any calculation can be processed:

- **Excluded Service Purchase**
Salary records from employer documenting hours worked and rate of pay, if not already available at OCERS (submitted by the employer, upon request from OCERS)
- **Medical Leave Purchase**
Copy of approved/completed Leave of Absence form (**submitted by member**, obtained from employer)

Copy of signed Medical Release form (**submitted by member**, obtained from employer)

- **Military Leave Purchase**
Copy of DD-214 Report of Discharge document (**submitted by member**, obtained from military service branch)
- **Previous Service Purchase**
Documentation of the member's withdrawn contributions and interest and associated service (on file at OCERS)
- **Public Service**
Completed Certification of Public Service form from the public employer or Reciprocal System (submitted by the public employer/reciprocal system, upon request from OCERS)
- **Workers' compensation**
Verification of date span of member's Workers' compensation leave from Risk Management (submitted by the applicable risk management department, upon request from OCERS)

What is OCERS doing to improve response time?

Member Services has recently added three full time staff to the team who evaluate purchase eligibility, perform and audit calculations, and issue cost notification letters. Four additional temporary staff supports the team by reaching out to all members with pending contracts to provide request status. We've implemented a new tracking system and have streamlined the process assigning calculations by service type. We've drafted a revision to the request form that will soon be posted on our Web site.

"Processing service purchase requests is a priority for us," offers Catherine Fairley, Director of Members Services. "We know this is an important issue and have assigned additional resources to complete pending requests. We appreciate the understanding and patience of our members and want them to know they can count on us to fulfill their requests."

For more information, please visit OCERS' Web site and check the "Forms & Publications" page.



Follow us on Instagram
and Twitter @myocers



Giveaways Build a Bridge to Retirement Matters

Retirement matters on a number of levels. Knowing where you are today can help you plan for your future; and OCERS staff is here to help.

On September 13, 2016, an OCERS team staffed an information table at the OCEA Health Fair to meet with members in person and answer important questions they have about retirement. In addition to answering questions and providing general information more than 150 members received personalized benefit estimates and an OCERS piggy bank.



*“The goal of the piggy bank was to provide members with a fun visual reminder that saving for retirement is an important part of their retirement planning. Knowing how much the OCERS benefit will be is a good starting point so that other financial and savings decisions can help build a solid retirement future.”
Suzanne Jenike, Assistant CEO, External Operations*



Despite being stuffed with nothing more than “Monopoly” money, OCERS piggy banks were a hit at the OCEA Health Fair.

In addition to the benefit estimates, Beneficiary Change Forms, previous editions of *At Your Service* and various other brochures relating to a number of topics were provided to members at the event.

For more information on OCERS, please visit OCERS’ Web site and register to access your myOCERS account.



OCERS Takes a Fresh Look at Investment Risks

This year, the OCERS Investment Committee selected a new general consultant, Meketa Investment Group, and a strategic portfolio and risk advisor, Pension Consulting Alliance. Along with the OCERS investment staff and our actuary, these consultants will be reviewing the entire OCERS investment program and our portfolio structure.

The U.S. economy is now in its 8th year of expansion, which is longer than all but one of the three most recent business cycles. This makes it timely for OCERS to revisit its portfolio's risk-return strategies.

One of the early outcomes of this review was a decision to direct our investment team to develop a transition plan to reduce the number and cost of hedge funds in our portfolio. Other public pension plans are taking similar steps in light of reduced expectations for these higher-fee funds to contribute meaningfully to our portfolio. Staff expects that some of this capital can be re-deployed for risk reduction now, and growth later in the next business cycle.

The centerpiece of the work now underway is a review of investment risk scenarios vs the earnings potential of the fund. OCERS' professionals will model the potential impact on employer and employee contribution rates under a variety of economic scenarios – including recessions, inflation and economic expansion. The professionals can then show committee members how various portfolio strategies would likely perform in such situations in order to help the Investment Committee (comprised of all members of the Board of Retirement) and our stakeholders decide how much risk our investment portfolio can take and what blend of risk vs return is right for the OCERS community.

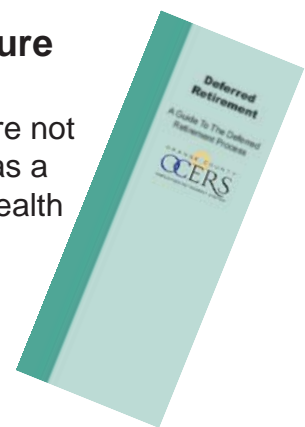
OCERS invites our participants and stakeholder groups to participate in the process. The Investment Committee will meet on October 26, 2016 to review these studies. Agendas for regular Board and Investment Committee meetings are published on the OCERS Web site 72 hours in advance.

Girard Miller, Chief Investment Officer



A Guide to the Deferred Retirement Process Brochure

If you are no longer working for an OCERS-covered employer, and are not yet retired, you may be eligible for a Deferred Retirement. OCERS has a newly-revised brochure titled "Deferred Retirement" that provides a wealth of information of interest to those who may now (or someday) be eligible for retirement because they kept their money on deposit with OCERS when they terminated employment. For more information, read the brochure now available on the "Forms & Publications" page on the OCERS Web site.



Pre-Retirement Sessions Coming This Winter

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. According to Brenda Anderson, Associate Vice President of Nationwide Investment Services Corp., out-of-pocket health care expenses during retirement could total \$220,000, on average. Your OCERS defined benefit pension is an important part of the equation of preparing to meet your retirement goals.

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 October 19, 2016; and November 2, 16 and 30, 2016.** Dates for 2017 sessions will be announced soon.

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

What Members Have to Say...

"I'm glad I came. I learned a lot and I feel much more at ease." Gema, Community Services

"Very helpful and informative, especially the information on Benefit Payment Options." David, County of Orange Attorney's Unit

"A great class! I will recommend to colleagues." Martha, Deferred Member, County of Orange

"Too much information on medical coverage and Social Security. It's very confusing." John, Health Care Agency

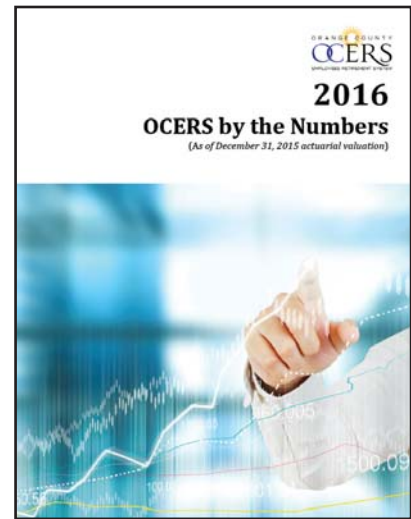
(Editor's Note: Please attend the Pre-Retirement Sessions again. We have heard from members who attend more than once that they feel more confident in understanding all the issues related to their retirement).

OCERS Documents Have All The Stats

Are you a numbers person? Looking for data about OCERS? Our publications *OCERS by the Numbers* and *Evolution of the UAAL* have it all!

OCERS by the Numbers is issued annually to compliment the *Comprehensive Annual Financial Report (CAFR)* by providing a wealth of information about the retirement system in a way that our members, plan sponsors and the public can easily understand.

Capturing a comprehensive view of OCERS as of December 31, 2015, the 45-page document is anchored by graphs and charts that provide a clear view of OCERS' demographics benefit payments and diversified investment portfolio. We have also included data about the geographic location of where OCERS payees now call home as well as funding sources, performance and asset allocation. *OCERS by the Numbers* can be found on the "Forms and Publications" page.



"OCERS is a complicated pension system, so having a tool that breaks the data down into comprehensible pieces is a welcome addition to your OCERS toolbox," said Catherine Fairley, Director of Member Services.

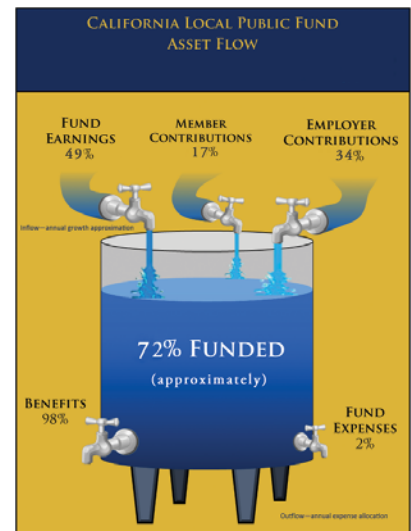
Dig Deep Into How OCERS Funds Benefits

For those looking to understand even more about the long-term nature of public plans and how their design allows for the smoothing of the highs and lows of pension costs over an OCERS member's career, OCERS has also published the *Evolution of OCERS' Unfunded Actuarial Accrued Liability*.

OCERS has prepared an overview of OCERS' Unfunded Actuarial Accrued Liability (UAAL) as it developed from the year 2000 through 2015. To put it simply, OCERS understands there is a certain amount of funds needed over time that will be used to pay pensions to current retirees and active members who will retire in the future. The UAAL is the shortfall.

The good news is that like most public pension plans, OCERS uses a combination of investment income, and contributions from members and employers to fund those pension payments. The *Evolution of OCERS' Unfunded Actuarial Accrued Liability* provides an in-depth overview of the evolution of OCERS' current UAAL and how it is being addressed by the Board of Retirement.

The *Evolution of OCERS' UAAL* document can be found on the "Finance" page on OCERS' Web site. That page will also provide you with access to previous CAFRs and a wide range of other financial documents.



The graphic above shows a snapshot of OCERS funded status as of December 31, 2015, while the representation of cash inflows and outflows reflect the period of 1998 through 2015.



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OCERS Benefit Payment Schedule for 2017

Payment Month	Payment Day	Benefit Payment Date
January	Tuesday	January 3, 2017
February	Wednesday	February 1, 2017
March	Wednesday	March 1, 2017
April	Friday	March 31, 2017
May	Monday	May 1, 2017
June	Thursday	June 1, 2017
July	Friday	June 30, 2017
August	Tuesday	August 1, 2017
September	Friday	September 1, 2017
October	Friday	September 29, 2017
November	Wednesday	November 1, 2017
December	Friday	December 1, 2017

Please note that tax tables change at the beginning of January. Payees may change their current tax withholding options by logging into the Member Self Service portal and submitting their changes online.

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

Message from the CEO