

At Your Service

April 2014

Valuable resources can be found via OCERS.org

The OCERS Member Information Center (MIC) allows members and payees to manage their OCERS retirement account online 24 hours a day, 7 days a week. The MIC allows retired members and payees to make important updates like address changes, beneficiary updates, as well as tax withholding and direct deposit (EFT) changes. A recently added feature for payees is the ability to view and print an Award Letter.

“Within the first month of offering this feature on our Web site, more than 300 Award Letters were generated,” said Toishe Merida, Senior Staff Development Specialist in OCERS’ Member Services Department.



“In the past our payees had to wait for the letter to be mailed or faxed after it was requested, but they now have it available at their fingertips,” Merida said.

The Award Letter displays the payee’s effective retirement date

and gross monthly allowance and is often needed when applying for benefits with Social Security (SSI) or used as income verification for loans and other financial transactions. Having access to this official document 24 hours a day 7 days a week guarantees that the information is available whenever needed.

Payees can view and print their last 13 monthly income statements as well as update their tax withholding elections and direct deposit account information. The most recent 1099-R information is also posted by February 1st of each year.



Active and deferred members have a number of important features available to them on the MIC. In addition to viewing and printing a current Member Statement, active and deferred members can update nominated beneficiary information, run personal benefit estimates, submit requests to purchase service credit, and initiate the retirement process.

In order to use the Member Information Center, members and payees must first establish a user name and password. A Personal Identification Number (PIN) is required in order to initiate the MIC enrollment process. OCERS recently mailed PIN numbers to all non-enrolled members for their one time use needed to create a personal user name and password.

For more information, visit www.ocers.org.

At Your Service



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At Your Service is published for members and retirees of the Orange County Employees Retirement System

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Board of Retirement Meetings:

All regular business meetings are held in OCERS Board Room at 9:00 a.m.

January 21, 2014	February 18, 2014
March 17, 2014	April 21, 2014
May 19, 2014	June 16, 2014
July 21, 2014	August 27, 2014
October 20, 2014	November 17, 2014
	December 15, 2014

2014 COLA Update

OCERS benefit recipients will see a Cost-Of-Living Adjustment (COLA) beginning with their May 1, 2014 monthly retirement allowance.

At its regular meeting held on February 18, 2014, the Board of Retirement approved a 1% COLA. The recommendation to adjust all applicable retirement allowances in accordance with the 1.08% increase in inflation as calculated by the Bureau of Labor Statistics Consumer Price Index (CPI) for the urban area encompassing Orange County was approved unanimously by the Board. OCERS is required by statute to round the CPI change to the nearest one-half percent.

The COLA will impact benefit recipients differently depending upon the effective date of their allowance.

- ❖ Payees with an effective date of April 2, 1986 to April 1, 2014, will see a 1% adjustment
- ❖ Payees with an effective date of April 2, 1985 to April 1, 1986, will see an adjustment of 2%
 - 1% COLA plus 1% from the COLA bank
- ❖ Payees with an effective date on or before April 1, 1985, will see a 3% adjustment
 - 1% COLA plus 2% from the COLA bank

Payees will first see the COLA adjustment on their May 1, 2014 payment for the period covering April 1, 2014 through April 30, 2014.

For more information about how the CPI impacts the COLA, as well as determining how much payees (based on the effective date of the benefit) have in their individual COLA bank, see the "COLA Information" page on OCERS' Web site in the "Retired Members" section.

In addition, all members can learn more about the COLA bank by viewing the "OCERS Retiree COLA & COLA Bank" video on OCERS' Web site available via the Video Library button in the "Quick Links" box.

OCERS investments enjoyed strong 2013

By Girard Miller, Chief Investment Officer

OCERS enjoyed strong returns on the stock (equity) holdings in its broadly diversified portfolio in 2013, resulting in total returns for the year of 11.16 percent vs. the actuarial discount rate (commonly dubbed the “investment assumption rate”) of 7.25 percent. That strong performance lifted total assets to more than \$11 billion at year-end. As a result, we would expect that our actuarial funding ratio (i.e. the amount we have on hand to pay future benefits) should improve – barring any unexpected impacts from other factors such as an increase in life expectancy, compensation changes and other non-financial factors.

Looking ahead into the new year, the OCERS investment staff and consultants have reminded the Board of Retirement and its Investment Committee that strong investment returns over two year periods historically have a way of limiting the potential for further beneficial “tail winds.” Statistically, our consultants have pointed to the tendency for financial markets to be quite lackluster in five year periods after a 50 percent or greater move upward in stocks in any given two-year period. In this context, OCERS will be focusing on portfolio risk management in 2014, as well as looking for prudent ways to enhance portfolio returns through skillful professional management and timely investment strategies.

A broadly diversified portfolio is the single best strategy to manage investment risk in a long-term portfolio. OCERS has “added new colors to our pie chart” in the past two years, with new commitments or expanded commitments to diversifying strategies such as direct lending, global tactical asset allocation and other

techniques to reduce the volatility of returns. This means that in strong up-market years like 2013, OCERS will typically earn lower returns than higher-risk portfolios, but in recession periods like 2008, our portfolio loses far less than other public pension funds. And history has borne that out.



Our professional investment staff now produces monthly “economic dashboards” and business-cycle risk monitoring reports for our Investment Committee that have begun to receive recognition and accolades from other pension experts in California and nationwide. These reports are available for members of the public who attend our monthly investment committee meetings.

Also distinctively, OCERS has hired one of the nation’s premiere portfolio risk management advisors, BlackRock Solutions, to provide quarterly reports to our Investment Committee on the risk features of the portfolio, and to recommend actions when appropriate to control investment risks that might otherwise go undetected. This includes monitoring stock market risks, over-concentration risks, interest-rate risks, currency risks, inflation risks, credit risks, and geopolitical risks.

Although it is not always possible to eliminate such risks in a long-term pension portfolio, the tools now available to OCERS “are refining and improving” portfolio discussion and oversight by our Investment Committee and the professional staff.

For more information on OCERS’ investment portfolio, visit the Finance & Investment page online.

Financial Strategies Seminars set for Spring

While most Americans understand the importance of saving for retirement, many have trouble making it a priority. According to a recent study completed by Capital One, 93 percent of working Americans know they should be contributing to their retirement, but only 72 percent are doing so. Indeed, according to the Capital One ShareBuilder's Financial Freedom Survey, half of the respondents believe they should be saving more than 10 percent of their income for retirement, but only one-fifth are currently saving 10 percent or higher.

The good news for OCERS members is they are already members of a Defined Benefit (DB) plan. But the more members understand about their finances and how much money they will need after retirement, the better.

Understanding steps you as a member of OCERS can take to help enhance your overall financial health is a key reason to enroll in the Financial Strategies Seminar that will be held at OCERS in early 2014. The seminar 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

Members will also learn income tax planning, estate planning, proper beneficiary designations, calculating Social Security benefits, and an explanation of the OCERS' pension, among other things.

The class is small, interactive, presented in a

SCHEDULED DATES for three-session workshop:

Workshop

Wednesdays
April 2, 9 and 16, 2014
6 – 9:30 p.m.

Workshop

Wednesdays
May 7, 14 and 21, 2014
6 – 9:30 p.m.

Workshop

Wednesdays
June 4, 11 and 18, 2014
6 – 9:30 p.m.



supportive environment, and the instructors do not spend time on self-promotion, or discussing specific products. Lastly, members will have an opportunity to meet with the financial advisor after the class is completed at no cost on a one-on-one basis to have specific questions answered and create a personalized financial plan with recommendations for the best steps to achieving their financial goals. Attendees have found this individualized planning to be extremely valuable.

Financial Strategies Seminars are held in OCERS' Training Room, 2223 E. Wellington Avenue, Santa Ana, CA 92701-3161. The three-session workshop seminars are free, but reservations are required. To make your reservation to attend this seminar, please visit www.ocers.org and see the "Retirement Seminars" page.

For more information on upcoming Financial Strategies for Retirement Planning Seminars, please call Robert Kinsler at (714) 558-6230.

Final Average Salary (FAS) and your retirement

While members generally understand most of the factors that determine their monthly retirement benefit, Final Average Salary can admittedly be confusing.

Final Average Salary (also known as “FAS”), is one of four components used to calculate an OCERS retirement allowance, in conjunction with a member’s plan formula, age at retirement, and years of service credit.

One of the primary issues relating to the complexity of FAS is that it is largely impacted by the wide range of Memorandum of Understanding (MOU) agreements that exist among OCERS-covered employers. Indeed, employers decide what to pay their employees, and then OCERS must analyze the various MOUs to determine what pay elements are pensionable.

A Legacy member’s (a member hired prior to January 1, 2013) FAS is based on their highest consecutive 12 or 36 months of salary, as well

as pensionable pay items (which may include items such as shift differential pay, bilingual pay, and auto allowance) as well as vacation/annual leave balances that may be eligible for inclusion depending on a member’s MOU.

For the majority of members, overtime is not considered a pensionable pay item and therefore cannot be considered when calculating a Legacy Member’s FAS. For more information on FAS, Legacy members can visit the “Forms & Publications” page on OCERS’ Web site and read the Compensation Earnable brochures for General Members or Safety Members.

For PEPRAs members (OCERS-covered employees hired on or after January 1, 2013), FAS is based on the highest consecutive 36 months of salary and includes only base pay plus compensation for special skills or shifts. Annual leave or vacation is excluded in the calculation of their FAS. More information on FAS, as well as all OCERS benefits, can be found by visiting OCERS’ Web site.



STAR COLA approved by Board of Retirement

At its regular meeting on March 17, 2014, the Board of Retirement unanimously approved payment of Supplemental Targeted Adjustment for Retirees, Cost-Of-Living Adjustment (STAR COLA) for the period April 1, 2014 through March 31, 2015.

STAR COLA applies to those members who have been retired the longest – currently only 529 members who retired on or before April 1, 1980 receive STAR COLA.

STAR COLA is designed to restore purchasing power for retirees and survivors who have

lost more than 20 percent of their purchasing power since retirement, as measured by the accumulation in a retired member’s COLA bank. In other words, in order to be eligible for STAR COLA a member must have a COLA bank that exceeds 20 percent following the posting of the current year’s regular COLA. The projected cost to fund STAR COLA for the one-year period is approximately \$1 million.

For more details on STAR COLA, please visit OCERS’ Web site and see the “Retired Members” section.

Contribution rate adjustments coming in July 2014

Beginning July 2014, the majority of OCERS active members will see an adjustment in their contribution rates.

Contribution rate changes, whether up or down, are normal for systems that prefund retirement benefits. OCERS retirement benefits are funded through contributions paid by employers and employees, and earnings from OCERS investments.

Contribution rates are based on detailed assumptions presented by OCERS' consulting actuary. These assumptions include a wide range of economic and non-economic

factors that are important to understand because they have a direct impact on contribution rates. Economic assumptions include factors such as the Consumer Price Index (CPI), salary increases, and the expected return on invested assets. Non-economic assumptions include mortality rates, service retirement rates and service-connected disability retirement rates.

Both current and the new rates that go into effect on July 1, 2014 are posted on OCERS' Web site. For more details on contribution rates, please visit OCERS' Web site at www.ocers.org and use the "Contribution Rates" link in the "Quick Links" box.

Pre-Retirement Sessions begin in April

It's not unusual for some OCERS members to work 20 or 30 years before they begin to seriously think about retirement. Other members begin planning for their retirement from the very beginning. The good news is that OCERS offers a special series of Pre-Retirement Sessions designed for all members thinking about making the transition from employee to retiree. 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 next Pre-Retirement Session dates will be held on April 2 and April 16, 2014. Members can get additional dates on OCERS' Web site.

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 a.m. - noon	County of Orange Retiree Medical session
1 - 1:30 p.m.	County Deferred Compensation Plan (Great-West Retirement) session
1:30 - 2:45 p.m.	Orange County Employees Retirement System (OCERS) session

Survivor Checklist is essential for beneficiaries

Upon an OCERS active or retired member's death, certain benefits may be payable to a surviving spouse, domestic partner, or designated beneficiary(ies). This guide was designed to assist survivors and family members in navigating through the OCERS benefit(s) related matters during a difficult time.

Step 1: Notify OCERS of the member's death

- Call (714) 558-6200 or toll free (888) 570-6277 to report the member's death as soon as possible. OCERS requires an original certified copy of a member's death certificate. Photocopies are not acceptable.
- Once notified of a member's death, OCERS will research the member's file to determine any applicable survivor and/or death benefits.

Step 2: Submit claim forms and other required documents

- As soon as possible after being notified, OCERS will send the nominated beneficiary or surviving spouse/domestic partner any applicable forms and request other documents, as needed in order to process the account. The required documents vary according to the specific circumstances of every member's account.

A few of the most commonly required documents include:

- ❖ Original or original certified copy of the Marriage Certificate or Certificate of Registered Domestic Partnership
- ❖ Original Birth Certificate(s) or original certified copy(ies)
- ❖ Social Security Number (or Tax Identification Number) of beneficiary(ies)
- ❖ Photocopy of valid Driver's License or State ID of beneficiary(ies)
- ❖ To pay benefits to a trust or estate, OCERS must have the Tax Identification Number (TIN) issued to the trust or estate by the Internal Revenue Service.

Step 3: Receiving benefit payment(s)*

- Monthly Survivor Benefits commence with the payroll cycle immediately following the deceased retiree's last payment; assuming all required documents are received.
- Lump Sum Death Benefit payments are issued to designated beneficiaries within 30 days after receiving all the required documents.

** Benefit processing time may vary according to how soon OCERS receives all required documents.*

NOTE: Because of community property laws in the State of California, a spouse, ex-spouse, or qualified domestic partner may have certain rights that supersede those of designated beneficiaries.



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Get to know your Summary Plan Description (SPD)

The Summary Plan Description (SPD) is a comprehensive resource guide for all members interested in learning more about their OCERS benefits. The SPD contains detailed information about reciprocity, purchasing service credit, retirement eligibility as well as disability and survivor benefits.



“All members, regardless of where they are in their career, should take the time to regularly review their Summary Plan Description,” explained Suzanne Jenike, Assistant Chief Executive Officer, External Operations. “The SPD is an important document covering the spectrum of benefits applicable to our plan members. I encourage all members to utilize this resource to gain a better understanding of their OCERS benefits.”

There are SPDs for all of OCERS’ plan formulas which can be accessed by visiting OCERS’ Web site at: www.ocers.org.

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

“OCERS and the value of your defined benefit plan”