

At Your Service

February 2019

Orange County Employees Retirement System

Quarterly Newsletter

New Website Coming Soon

OCERS is nearing completion on a dynamic new website that will provide improved access and resources to active and retired members as well as employers and the public.

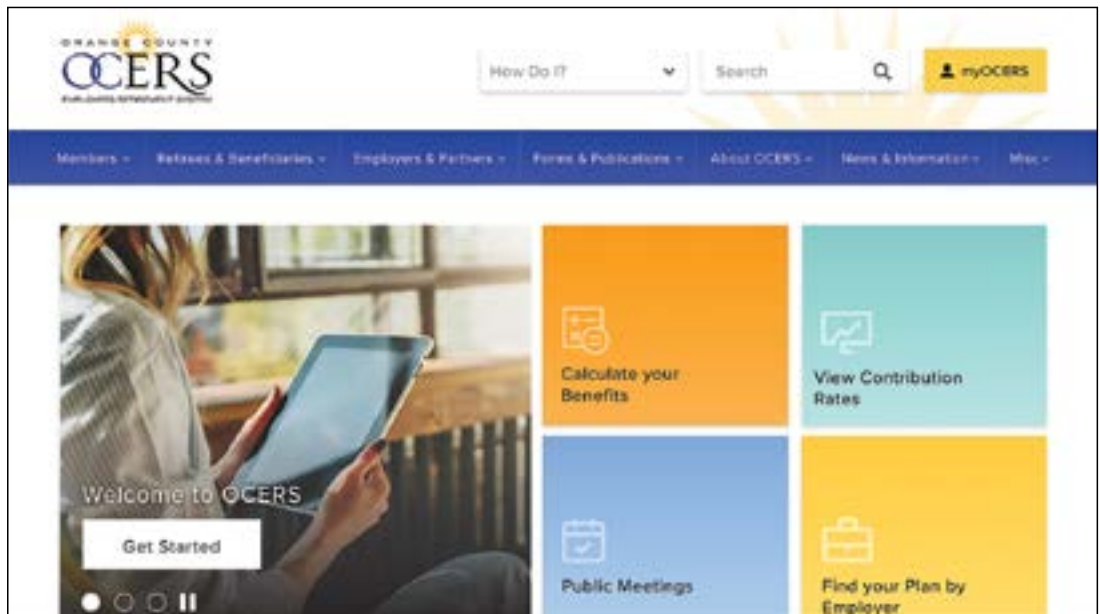
The last significant refresh of www.ocers.org took place in late 2007, and leaders at OCERS recognized the importance to bringing the site up-to-date with current web technology, an appealing design and a powerful content management system.

“OCERS’ business plan called for a thorough re-design of the site,” said Suzanne Jenike, Assistant CEO, External Operations. “We have worked with staff in all departments as well as our various stakeholders via a series of focus groups to develop a site that looks much nicer and provides a much better experience for the user.”

The new site will be optimized so it can be easily viewed using a smartphone or tablet.

The new website is scheduled to be unveiled in April 2019.

More details will be announced soon!



In this issue...

OCERS CEO reflects on 2018

At Your Service



Members of the Board of Retirement

Charles E. Packard, Chair
Roger Hilton, Vice Chair
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David Ball
Shawn Dewane
Frank Eley
Shari L. Freidenrich, CPA
Wayne Lindholm
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Chief Executive Officer

Steve J. Delaney

Chief Investment Officer

Molly A. Murphy, CFA

Assistant Chief Executive Officer, External Operations

Suzanne Jenike

Assistant Chief Executive Officer, Finance and Internal Operations

Brenda Shott, CPA

General Counsel

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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)

| | |
|--------------------------|--------------------------|
| February 19, 2019 | March 18, 2019 |
| April 15, 2019 | May 20, 2019 |
| June 17, 2019 | July 11, 2019 |
| August 19, 2019 | October 21, 2019 |
| November 18, 2019 | December 16, 2019 |

Agendas can be found at www.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.

2019 COLA Update

The annual Cost-of-Living Adjustment (COLA) that OCERS retirees and beneficiaries are eligible to receive each April is based on the change in the region's average Consumer Price Index (CPI) from the previous year – rounded to the nearest positive 0.5 percent.

OCERS offers a Cost-of-Living Adjustment (COLA) of up to 3 percent per year based upon the increase or decrease in the CPI associated to goods and services in the 2018 calendar year compared to 2017. With CPI reported as 3.8 percent for the L.A. Basin area, it seems likely that the OCERS Board will be granting a 3 percent COLA this year but that is not certain until they meet on February 19.

The COLA, if approved, is effective April 1st for all eligible payees and will be included in monthly retirement allowances beginning with the May 1st payment (OCERS retirement benefits are paid at the beginning of the month for the previous month's benefits).

The Board of Retirement will review the COLA at its regular meeting on February 19, 2019. An update on the 2019 COLA will be posted on the OCERS website following that Board meeting.

REAOC Wants You

If you are retired or planning to retire soon, you are eligible to join the Retired Employees Association of Orange County (REAOC).

A non-profit association of retirees who are all members of OCERS, REAOC provides members and their spouses a mix of social, educational and recreational activities. In addition, REAOC serves as an advocate in monitoring financial issues and health care-related topics impacting retired members.

For more information visit www.reaoc.org or call 714-840-3995.

Robert Acker's Dedication Spans 50 Years

Imagine working for the County of Orange for 50 years. Robert E. Acker can do more than simply imagine because he actually reached that landmark before retiring as a custodian in late October of 2018.

A native of Orange County, Mr. Acker moved with his family back to Iowa briefly when he was a child. "We heard there were better doctors out in Orange County so we came back out here. I've been out here ever since."

Mr. Acker attended Santa Ana Valley High School and went to work for the County after graduating in the 1960s.

"My mother was working for the D.A.'s office and she got me the job here at the County," he recalled.

Mr. Acker reflected that when he came to work at the County of Orange he knew very little about pay and benefits. "I didn't know anything, except I was a Tier 1," he said with a smile.

Over his 50 years working for the County, he worked at a number of sites and mastered a number of important duties including the use of equipment used to safely strip floors and clean carpets.

"Plus I was haul man (in the early part of my career); I hauled the trash out and dumped it and then brought the barrels back inside. We didn't have plastic bags - we just had the barrels."

"He's a dedicated employee," said Frank Curiel, Supervising Custodian II, who was Mr. Acker's immediate supervisor. "He's there everyday and he takes pride in what he does. When I think of Orange County, I think of Bob. I'm very proud of him and it's great to see him reach his goal (of working 50 years)."



On October 25, 2018, a retirement party was held for Mr. Acker with many of his co-workers and friends attending to acknowledge his years of service and dedication to the County. He was also honored when Supervisor Andrew Do came to the event:

"For those of us blessed enough to be part of the County family, we live the best of both worlds; we work in the County and live in a great County," Supervisor Do said.



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Get To Know Your OCERS Board of Retirement

The Orange County Employees Retirement System (OCERS) was founded in January 1945 to serve as a defined benefit pension plan for employees of the County of Orange and participating special districts.

Administration of OCERS is overseen by the Board of Retirement, which consists of nine members and an alternate Safety member. All members of the Board of Retirement also serve on the OCERS Investment Committee. The Board is at the forefront of securing OCERS' Mission: "We provide secure retirement and disability benefits with the highest standards of excellence."

Of the 10 members, four are appointed by the County Board of Supervisors; four (including the Safety alternate member) are elected by OCERS' active members. One is elected by the retired membership. The County Treasurer serves as an ex-officio member. Assisting the Board in administrating OCERS is an administrative staff, led by Chief Executive Officer Steve Delaney.

The Board is focused on two areas. The first is to make sure the system is providing retirement, disability, beneficiary, cost-of-living, and death benefits to future and current retired members and their beneficiaries.

Acting as the Investment Committee, the Board's second primary focus is on diversifying OCERS' investment portfolio of approximately \$15.5 billion to minimize the risk of loss and to maximize the rate of return. The Investment Committee works closely with several investment consultants as well as Chief Investment Officer Molly A. Murphy and her team to manage the portfolio (you can learn more about OCERS' Investment Committee by reading the article on page 7 of this edition of *At Your Service*).

Visit OCERS' website for more information on the members of the Board of Retirement. The Board of Retirement area of the site also provides details on the various committees including the Audit Committee, Disability Committee and the Governance Committee.

Empower Seminars to Explore Key Topics

Empower Retirement, the administrator of the County of Orange Defined Contribution Program, is hosting two free lunchtime seminars at OCERS in early 2019. The seminars will be held from noon to 1 p.m. in OCERS' Modjeska training room.

Understanding Your Distribution Options – Wednesday, February 27, 2019

As a participant, what are your distribution options? Should you leave your current employer, it is important to know what choices you have available to you. At the "Understanding Your Distribution Options" seminar, learn what your distribution options are and how to take proper steps in the future if necessary.

Protecting Your Retirement Savings – Wednesday, March 27, 2019

You've made it to retirement, but how can you sustain your income over time? At the "Protecting Your Retirement Savings" seminar, learn about some tactics and strategies that you can use to protect your savings – along with research options you have as a retiree that you may want to keep in mind before making big investment decisions.

For more information visit countyoforangedcplan.com.

A Closer Look at OCERS' 2019-2021 Strategic Plan

By Steve Delaney, Chief Executive Officer

Back in 2008, the OCERS Board of Retirement approved its first multi-year strategic plan. A strategic plan tells our members and employers what OCERS sees as important goals in the coming years and helps guide us to use our talent and resources in the most effective way possible to achieve those goals. The OCERS 2019-21 Strategic Plan now posted on our website was developed using OCERS' Mission, Vision and Values statements as our guide. I want to highlight and share four important goals of that plan that will be pursued by OCERS' staff in the coming years.



Fund Sustainability

The goal of Fund Sustainability is focused on the future. A key part of Fund Sustainability includes mitigating the risk of significant investment loss and the prudent use of resources. The OCERS Board will be spending long hours, in many meetings to come, focused on that important goal. Additionally, while OCERS presently is composed of a dozen different employers, aiding new agencies to join OCERS will only help to further strengthen the system overall. To that end, our Legal department is now developing a policy to provide guidance to potential employers who may in the future wish to enter OCERS.

Excellent Service and Support

The goal of Excellent Service and Support aims to ensure each and every one of you, our members, are proud of the service you receive from our talented OCERS staff. To that end our goal is to provide accurate and timely benefits to all payees and to focus attention on staff training and improved customer service in order to provide education to our members and plan sponsors; that effort includes on-site seminars, our website, in-person meetings and staffing special events such as health and wellness fairs.

Risk Management

There are many important steps OCERS will continue to take to cultivate a risk-intelligent organization ranging from cybersecurity and developing a robust business continuity solution in case of disaster to ensuring a safe workplace here at OCERS. We want you to be assured that both your personal data as much as your benefit dollars are being professionally managed and secured by OCERS' staff.

Talent Management

Another important goal is a focus on the recruitment and retention of a high-performing workforce here at OCERS as highlighted in the following goals:

1. Recruit and retain a high-performing workforce to meet organizational priorities
2. Develop and empower every member of the team
3. Cultivate a collaborative, inclusive and creative culture

Every key goal of OCERS' 2019-2021 Strategic Plan ultimately ties back to OCERS' Mission Statement, which reads: "We provide secure retirement and disability benefits with the highest standards of excellence."

Pre-Retirement Sessions Key to Readiness

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 February 20; March 6 and 20; April 3 and 17, and May 1, 2019.**

Due to limited seating, all attendees must register to attend at www.ocers.org.

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 – 2:30 p.m. | County of Orange Retiree Medical session |

Defined Benefit Versus Defined Contribution Plans

With all the discussions in California regarding public sector **defined benefit** plans (often called “DB” plans) and **defined contribution** plans (“DC” plans), here is a quick review of the two types of retirement plans. A **DB** plan is designed to provide participants with a specific benefit at retirement based upon a specific formula. These plans (including OCERS) are designed to pay each member a lifetime benefit based upon a formula which includes factors such as a member’s age at retirement, a member’s length of credited service and Final Average Salary. According to a recent study from the National Public Pension Coalition, DB pensions cost less than 401(k)s because they are more efficient.

A **DC** plan provides eligible participants with an individual savings account. The benefits are based solely on the amount contributed to the participant’s account, plus any income gains/losses. On average, DC plans earn lower investment returns than DB pensions.

OCERS Portfolio Weathers Challenging Times

While the markets were challenged during the latter half of 2018, the Investment Committee has continued to adhere to a disciplined investment process that has clearly limited the losses as evidenced by the Total Fund returns.

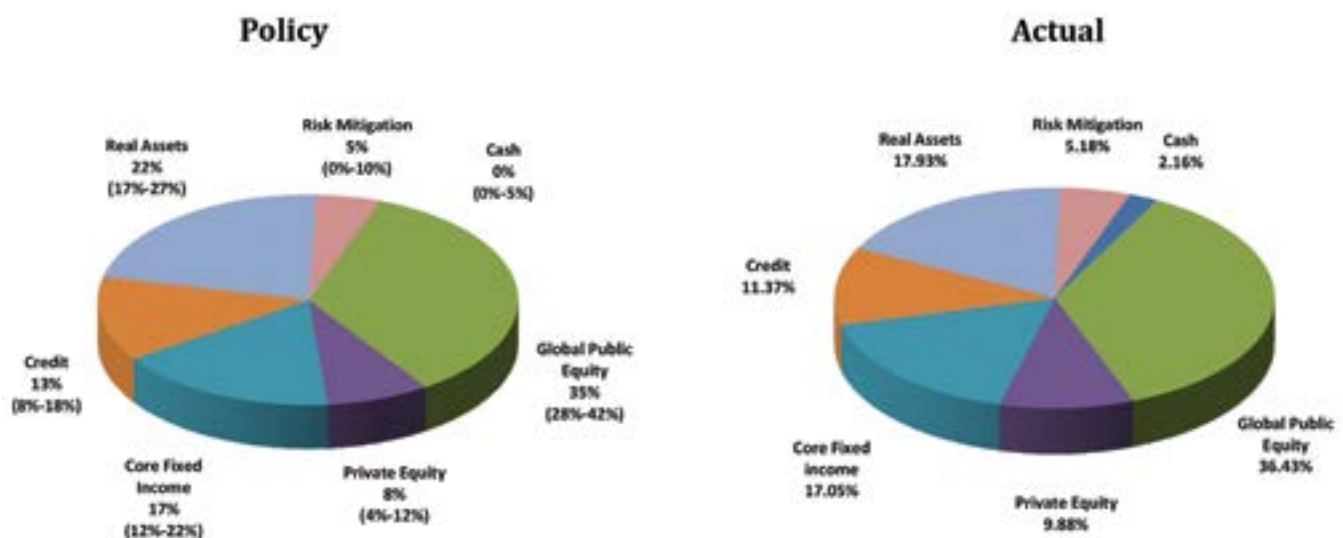
At the Investment Committee meeting held on January 23, 2019, Chief Investment Officer Molly Murphy reported that OCERS' portfolio returned -1.67% for the 2018 calendar year on a portfolio currently valued at more than \$15 billion in assets.

In light of the recent market turmoil, the OCERS' portfolio held its value well. By comparison, global stock markets fell significantly in the fourth quarter of the year. The Russell 1000 Index of US Large Cap stocks returned -13.8% in the fourth quarter of 2018 and -4.8% for the year. Non-US markets followed suit with the MSCI EAFE Index returns of -12.5% and -13.8%, for the quarter and year respectively.

Recently, OCERS allocated a portion of its portfolio to Risk Mitigating Strategies, designed to protect value during equity market declines. Collectively, those strategies posted returns of +5.8% in the fourth quarter and +4.2% for 2018, proving to be ballast during the worst December market decline since 1931.

OCERS' 10-year trailing performance, as of December 31, was 7.7%. Longer term performance continues to outpace OCERS' stated assumption rate, currently set at 7%, thereby maintaining the goals of the pension system and OCERS' members. While stock markets can be volatile, OCERS is always focused on achieving long-term positive results and securing retirement for its members. 2018 was one of those volatile years, but the investments of the system protected value in the turmoil and continued to support the long-term vision of OCERS as expected.

Asset Allocation as of December 31, 2018





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1099-R Forms Mailed at End of January 2019

OCERS mailed personalized copies of Internal Revenue Service Form 1099-R to all payees on or before January 31, 2019. The Form 1099-R provides each payee with detailed information on his or her income for the previous year.

Payees may also view and print copies of their 2018 1099-R online, effective Friday, February 1, 2019, by logging into their personalized account on the myOCERS portal.

For more information, visit www.ocers.org.



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

New OCERS Website