Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2013

A Legacy
of Service

Orange County, California

A Legacy of Service

Orange County Public Law Library

The Orange County Public Law Library and its employees provide vital legal research facilities and services. The library is a highly respected resource for reference materials and research services on state, federal and international statutes, case law and supporting materials for the general public and legal community of Orange County, California. Library employees are dedicated to maintaining and improving the high standards of its services through its skilled and knowledgeable staff.

ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2013

Prepared by:
The Finance Division of the
Orange County Employees Retirement System

Issued by:
Steve Delaney, Chief Executive Officer

Orange County Employees Retirement System
2223 East Wellington Avenue, Suite 100
Santa Ana, CA 92701-3161

714.558.6200

www.ocers.org

Images courtesy of:
John Wayne Airport, Orange County Fire Authority, Orange County Parks, Orange County Sanitation District, Orange County Sheriff's Department, Orange County Transportation Authority, Transportation Corridor Agencies, Robert Kinsler/OCERS

Graphic Design:
Spencer Lewis Marketing Group

A Legacy of Service

Orange County Emergency Operations Center

The Orange County Emergency Operations Center (EOC) is a central command and control facility which exists to coordinate control in the event of a major local disaster, such as an earthquake or terrorist attack. The EOC can accommodate a staff of up to 140 responders, including personnel from the Sheriff's Department, Orange County Fire Authority, Health Care Agency, County Executive Office, County Counsel, Social Services Agency, OC Public Works, OC Waste and Recycling, Probation and non-county agencies such as the American Red Cross, California Highway Patrol and Caltrans. The EOC has emergency power, food, water and supplies to support emergency responders for an extended period of time during a catastrophic event and provides a Public Information Hotline to help relieve the load on 911 police and fire lines during an emergency.

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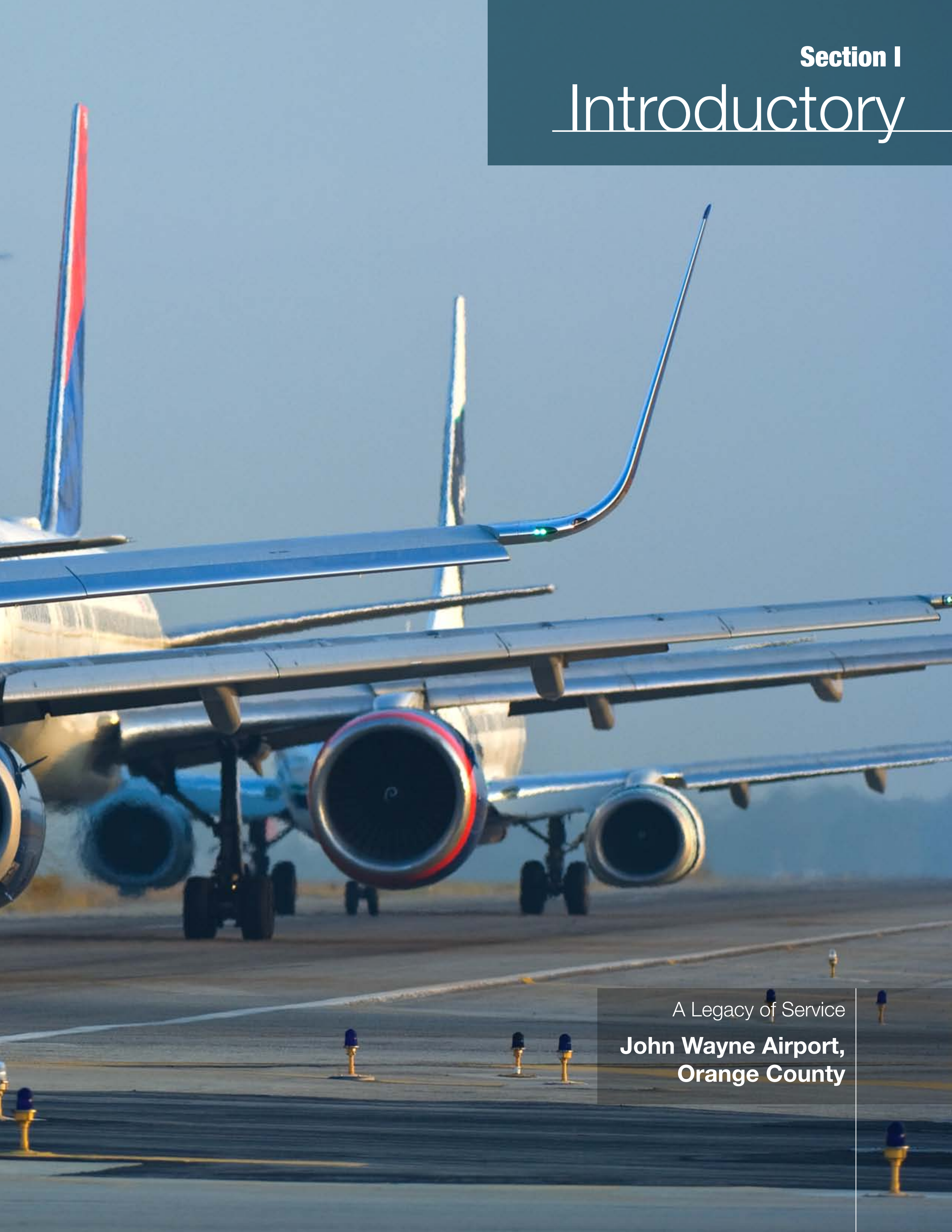


Section I

Introductory

A Legacy of Service

John Wayne Airport, Orange County

John Wayne Airport, Orange County

Owned and operated by the County of Orange, John Wayne Airport served over 9 million passengers in 2013. Located approximately 35 miles south of Los Angeles, the only commercial airport in Orange County has a service area that includes more than three million people within the 34 cities and unincorporated areas of Orange County. John Wayne Airport is home to local law enforcement air operations and to medical and mercy flights. Located where the cities of Costa Mesa, Irvine and Newport Beach meet, John Wayne Airport is the gateway through which millions of passengers travel each year to their homes, their families, their vacations and their businesses.

Letter of Transmittal

Serving the Active and Retired Members of:

City of San Juan Capistrano

County of Orange

Orange County Cemetery District

Orange County Children & Families Commision

Orange County Department of Education (closed to new members)

Orange County Employees Retirement System

Orange County Fire Authority

Orange County In-Home Supportive Services Public Authority

Orange County Local Agency Formation Commission

Orange County Public Law Library

Orange County Sanitation District

Orange County Transportation Authority

Superior Court of California, County of Orange

Transportation Corridor Agencies

UCI Medical Center and Campus (closed to new members)

July 11, 2014

Board of Retirement
Orange County Employees Retirement System
2223 East Wellington Avenue, Suite 100
Santa Ana, CA 92701

Dear Board Members,

It is with great pleasure that we submit the Comprehensive Annual Financial Report (CAFR) of the Orange County Employees Retirement System (OCERS or System) as of and for the year ended December 31, 2013.

OCERS

OCERS is a public retirement system that provides service retirement, disability, death and survivor benefits, administered in accordance with the County Employees Retirement Law of 1937 (Government Code Section 31450, et seq.), to its members. There are 20 systems in counties across the State of California regulated by the County Employees Retirement Law of 1937. These systems have provided secure retirement income that has supported the state's economy for sixty-nine years.

Pursuant to certain provisions of the County Employees Retirement Law, OCERS is an independent governmental unit within the County of Orange, with a separate operating budget and professional staff. The California Constitution gives the Board of Retirement plenary authority over the administration of the system, which includes administering plan benefits and managing the System's assets. The Board of Retirement and OCERS's staff members are committed to act for the exclusive benefit of the plan and its participants, manage the assets of the plan prudently and administer benefits with impartiality. To fulfill this mandate, OCERS employs a skilled professional staff and independent consultants that operate under a robust system of governance, operational and fiduciary policies and procedures.

Currently, in addition to the System, OCERS's participating agencies include the County of Orange, one city, ten active special districts, and two special districts that are closed to new members (only one of which still has active employees).

This year marks the System's 69th year of operation and as such, we have chosen the theme for this year's CAFR to be "Legacy of Service." Our Plan Sponsors provide a wide range of services to the residents of Orange County, from overseeing parks and recreational services, managing the historic cemeteries of Anaheim, Santa Ana and El Toro, to fulfilling the transportation needs of our County, as well as providing law enforcement and fire safety services. We have highlighted these and a variety of other services performed by our members to pay tribute to their hard work and dedication.

Letter of Transmittal

(Continued)

Management Responsibility of Financial Reporting

OCERS's management is responsible for the complete and fair presentation of the financial information in accordance with generally accepted accounting principles (GAAP) in the United States. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and operating results of OCERS.

OCERS's Mission Statement and Objectives

The role of OCERS is to provide secure retirement and disability benefits, quality information concerning those benefits, and prompt, professional and courteous service that meets the highest standards of excellence. In carrying out that role, the Board of Retirement and staff are committed to act for the exclusive benefit of the plan and its participants, manage assets of the plan prudently, and administer benefits with impartiality.

In fulfilling our mission as a retirement system, OCERS's objectives are:

1. Excellent customer service, *providing*
2. Timely and accurate benefits, *based on*
3. Secure and reliable data, *funded by*
4. Prudently managed investments, *guided by*
5. Professional plan administration

Major Initiatives and Significant Events

The following were major initiatives and significant events in the past year:

Pension Reform

Effective on January 1, 2013, OCERS implemented the California Public Employees' Pension Reform Act (PEPRA) which was signed into law in September 2012 and resulted in the creation of three new lower benefit formulas for employees entering OCERS on or after January 1, 2013: PEPRA – General 1.62% @ 65; PEPRA – General 2.5% @ 67 and PEPRA – Safety 2.7% @ 57. OCERS's staff worked closely with our Plan Sponsors to ensure a smooth implementation of these new rate group plans, including providing input on training materials, attending training and informational meetings, and creating an employer guide available on our website.

Pension Administration System Solution

OCERS continued to make significant progress on the multi-year implementation of V3, a new Pension Administration System Solution (PASS). Highlights include the establishment of a V3 testing center as the project entered into its pre-user acceptance testing (pre-UAT) phase and rolling out TrackIT, an online tracking system for V3 project requests and decisions. Expected to go-live in the fourth quarter of 2015, V3 will enhance operating efficiencies, as well as provide a new web-based portal for our members, Plan Sponsors and partners.

Technology Update

OCERS made numerous technological updates which included the completion of replacing staff desktops and wireless headsets for the call center; rolling out and training staff on Windows 2010 software; upgrading email infrastructure to Exchange 2010; installing mini-PCs in key meeting areas to allow staff PC access to the network for meeting and training sessions, and improving building security with the implementation of a new ID Badge System and new building security cameras.

GASB 67 and 68

Next year, OCERS will implement a new financial reporting standard, Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, effective for periods beginning after June 15, 2013. OCERS's Plan Sponsors will implement GASB Statement No. 68, *Accounting and Financial Reporting* *for Pensions*, effective with the fiscal year ending June 30, 2015. Although the new standards do not prescribe a funding policy, OCERS voluntarily adopted an actuarial funding policy which reduced the amortization of its Unfunded Actuarial Accrued Liability (UAAL) for any future assumption or method changes from its current 30-year amortization period to a 20-year amortization period. In addition, all current remaining bases from the 2012 valuation have been combined and re-amortized over a single 20-year period. We have also conducted an implementation workshop for our Plan Sponsors and will continue to work with our actuary and auditors on an implementation plan for these new standards, as well as provide ongoing communication and support to our Plan Sponsors as they implement GASB 68.

Accounting Systems and Reports

OCERS's management is responsible for establishing a system of internal controls to safeguard assets and for the presentation of the accompanying basic financial statements. Oversight is provided by OCERS's Audit Committee, supported by internal auditing staff. Macias Gini & O'Connell, LLP (MGO) audited the accompanying basic financial statements and related disclosures. The financial audit provides reasonable assurance that OCERS's financial statements are presented in conformity with GAAP and are free from material misstatement. Internal controls are considered in assessing whether OCERS's operating policies and procedures are being adhered to and are sufficient to safeguard OCERS's assets. OCERS recognizes even sound internal controls have inherent limitations. OCERS's internal controls are designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

The CAFR was prepared in accordance with GAAP and reporting guidelines set forth by GASB and the County Employees Retirement Law of 1937. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. OCERS's MD&A can be found immediately following the independent auditor's report.

Investment Activities

In accordance with state constitutional mandates, the OCERS's Board adopts a strategic asset allocation policy designed to ensure diversification among asset classes and achieve OCERS's long-term investment objectives. Although OCERS invests on a long-term horizon, short-term returns are important to the portfolio's investment strategy. During 2013, OCERS continued to implement changes from its 2012 asset allocation study which amended OCERS's investment policy to diversify its strategic asset allocation with respect to diversified credit, global tactical asset allocation, equity, fixed income, real return and private equity. This diversification will better position OCERS's investment portfolio to withstand future potential market fluctuations. In addition, OCERS continued the implementation of its direct hedge fund program, migrating from hedge fund-of-funds investment managers to direct hedge funds, and hired BlackRock Financial Management in May 2013 to provide risk reporting and portfolio review services.

During 2013, the OCERS's investment portfolio returned 11.14%, gross of fees. With the average years of service for a new OCERS's retiree being approximately 20, it is good to see that our annualized return over the last 20 years has been 8.09%, well exceeding our assumed earnings rate over the same period.

Pension Actuarial Funding Status

OCERS maintains a funding goal to establish contributions that fully fund the System's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Actuarial valuations are performed annually with actuarial experience investigations conducted triennially in accordance with state statute. The use of realistic assumptions is important in maintaining the necessary funding while paying promised benefits. Each year the actual experience of the System is compared to our assumptions and the differences

Letter of Transmittal

(Continued)

are studied to determine whether changes in the contribution requirements are necessary. In addition, triennially, the actuarial experience investigation is undertaken to review the actuarial assumptions and compare the actual experience during the preceding three year period with that expected under those assumptions. The last experience investigation was completed in 2011 for plan years ending in 2008 through 2010, with the exception of the assumed rate of return, which was completed in 2012 for the plan year ending in 2012. OCERS had been using a 7.75% assumed rate of return in its annual actuarial valuations since 2004. In 2011, the Board received a recommendation from the System's actuary to reduce the assumed rate of return to either 7.50% or 7.25%. After a thorough review and lengthy discussions throughout 2011 and 2012, the Board adopted 7.25% as the System's assumed rate of return to be effective with the 2012 actuarial valuation. The ensuing cost impact to the employer contribution rate as a result of this assumption change will be phased-in over two years. The next triennial experience study is scheduled to be completed in 2014 for the plan years ending in 2011 through 2013.

At December 31, 2013, OCERS's funding status was 65.99% with a UAAL of $5.4 billion. Average employer and employee contribution rates for the year ended December 31, 2013, were 34.69% and 11.47%, respectively.

Budget

The Board of Retirement approves OCERS's annual budget. The 1937 Act limits OCERS's annual administrative expenses, excluding the costs of administration for computer software and hardware and computer technology consulting services (IT costs), to twenty-one hundredths of one percent (0.21%) of OCERS's actuarial accrued liability. OCERS's administrative expense of $11.3 million, excluding IT costs of $3.8 million, was .07% of OCERS's actuarial accrued liability.

Certificate of Achievement

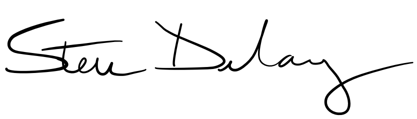
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OCERS for its comprehensive annual financial report for the year ended December 31, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

I would like to take this opportunity to thank the members of the System for their continued confidence in OCERS during the past year. Also, I would like to express my thanks to the Board of Retirement for its dedicated effort in supporting the System throughout this past year. Finally, I would like to thank the staff and consultants for their commitment to OCERS and their diligent work to assure the System's continued success.

Respectfully submitted,



Steve Delaney
Chief Executive Officer

Members of the Board of Retirement

As of December 31, 2013

Thomas E. Flanigan
Chair
Appointed by the Board of Supervisors

Frank E. Eley
Vice Chair
Elected by General Members

Chris Prevatt
Elected by General Members

Robert Griffith
Elected by Retired Members

Charles E. Packard
Appointed by the Board of Supervisors

Wayne Lindholm
Appointed by the Board of Supervisors

David Ball
Appointed by the Board of Supervisors

Shari L. Freidenrich
Ex-Officio Member
Treasurer-Tax Collector County of Orange

Roger Hilton
Elected by Safety Members

Ray Geagan
Alternate elected by Safety Members

Organization of OCERS

Board of Retirement

The Board of Retirement is responsible for establishing policies governing the administration of the retirement plan, disability determinations, assuring benefit payments, establishing investment policy for the System and monitoring execution of its policies. The Board of Retirement consists of nine members and one alternate. Four members of the Board of Retirement are appointed by the Board of Supervisors of the County; four members are elected by active members of the System of which one is the alternate member; one member is elected by the retirees; and the Treasurer of the County is an Ex-Officio member.

Executive Department

This department consists of the Chief Executive Officer (CEO) who implements and executes policies promulgated by the Board of Retirement. Two Assistant CEOs, an Internal Auditor, a Chief Investment Officer and a Chief Legal Officer assist the CEO in the daily operations of the System.

Investment Department

This department is responsible for the administration and management of the investment program, in accordance with policies, regulations, and guidelines set forth by the Board of Retirement. It is responsible for the interface with investment managers, including monitoring investment performance objectives, adherence to investment guidelines, conducting due diligence visits to investment managers' sites, and interviewing prospective investment managers. This department is also responsible for the interface with outside investment consultants in reviewing and evaluating all investment managers' performance and investment manager fees. Refer to the Investment Section on pages 78 and 79 for the Schedules of Commissions and Investment Expenses.

External Operations Department

This department is comprised of the following divisions: Member Services and Communications.

The Member Services Division is responsible for providing all benefit services to the members of the System. This includes benefit calculations, preparation of data to support applications for retirement, preparation of the retiree payroll, processing transmittals, membership counseling, and retirement seminars. The Disability section of Member Services is responsible for reviewing claims and medical records; interviewing applicants and witnesses; preparing written reports of findings and recommendations; and making presentations to the Board of Retirement regarding the disposition of cases.

The Communications Division is responsible for developing and coordinating information for members and plan sponsors through publications, newsletters, seminars and publishing content to the web site.

Internal Operations Department

This department is comprised of the following divisions: Finance, Information Technology, and Administrative Services.

The Finance Division is responsible for all the financial records and reports of OCERS. This includes the preparation of the Comprehensive Annual Financial Report, monthly and quarterly financial statements and the annual operating budget. The Finance Division also maintains OCERS's system of internal controls; processes and accounts for retirement payroll and refunds of contributions and interest to members; collects and accounts for employers' and members' contributions; reconciles investment portfolios; and pays costs incurred for goods received and services rendered.

Organization of OCERS

(Continued)

Internal Operations Department (Continued)

The Information Technology Division is responsible for OCERS's network systems, personal computers, web site and databases, while providing programming and technical support to our Benefits Administration System. In addition, this division is responsible for the production of retiree payroll disbursements and administering all audio/ visual services.

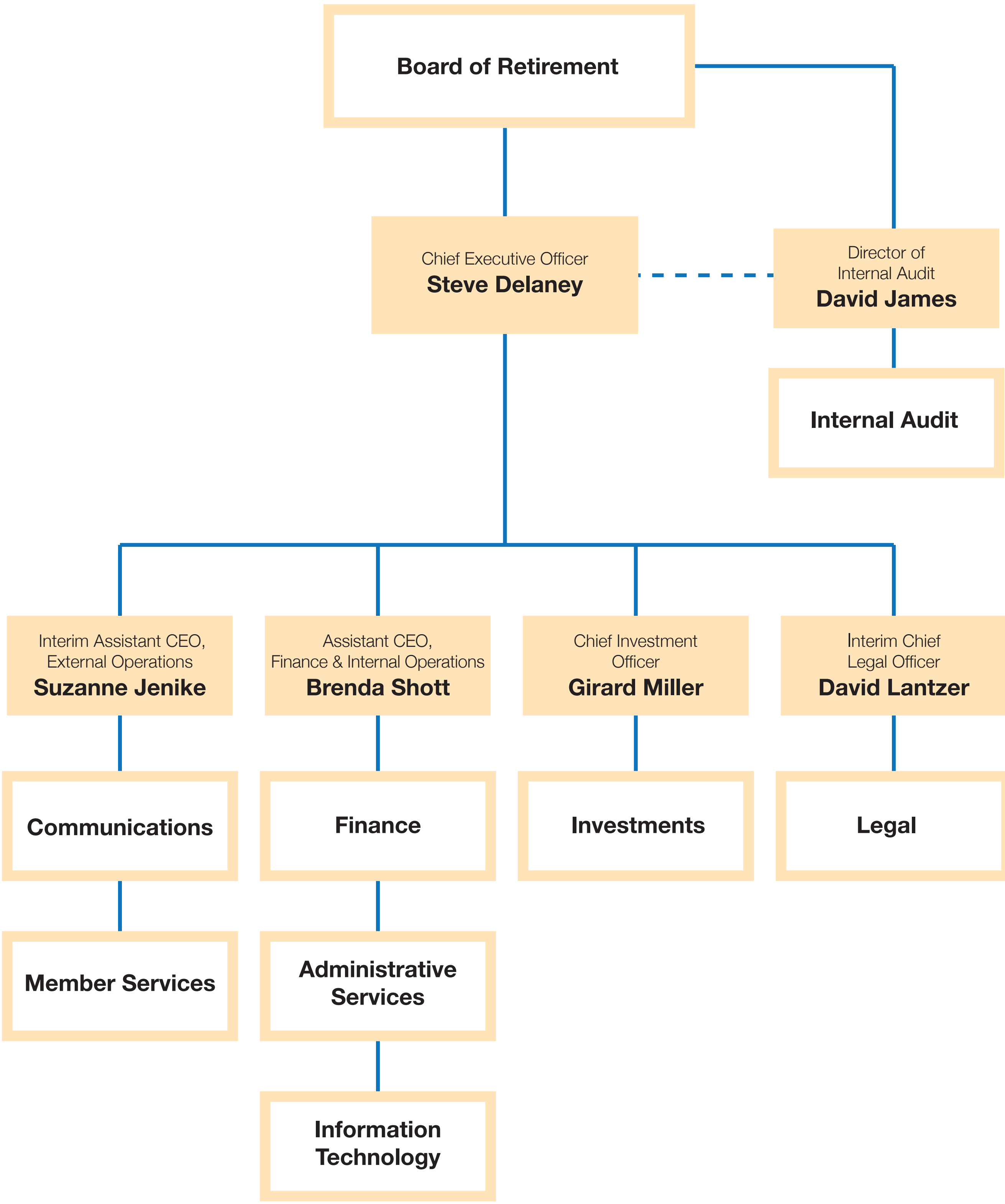
The Administrative Services Division is responsible for providing contract administration, purchasing, headquarters building administration, human resources and labor relations functions of OCERS.

Legal Department

This department provides legal advice and representation to the Board of Retirement and OCERS on a wide variety of issues. Among other things, this includes issues involving disability retirements, investments, legislation, vendor contracts, and family law.

Administrative Organization Chart

As of December 31, 2013



List of Professional Consultants

As of December 31, 2013

Actuary
The Segal Company

Investment Consultant
NEPC, LLC

Hedge Fund Consultant
Aksia, LLC

Real Estate Consultant
R.V. Kuhns & Associates, Inc.

Risk Reporting & Portfolio Review Services
BlackRock Financial Management, Inc.

Independent Auditor
Macias Gini & O'Connell, LLP

Investment Counsel
Foley and Lardner, LLP

Fiduciary Counsel
Reed Smith, LLP

Tax Counsel
Hanson Bridgett, LLP

Custodian
State Street Bank

Note: List of Investment Managers is located on page 81 of the Investment Section of this report.

Certificate of Achievement for Excellence in Financial Reporting

Section II

Financial

A Legacy of Service

Orange County Cemetery District

Orange County Cemetery District

Managing and maintaining Orange County's public cemeteries requires a special touch exemplified by the dedicated employees who work for the Orange County Cemetery District. Whether meeting with grieving family members to coordinate interment services or maintaining three historic cemeteries: Anaheim Cemetery, El Toro Memorial Park and Santa Ana Cemetery, these OCERS's members fill a special role in Orange County. The Cemetery District is here to provide residents with affordable interment services while maintaining a beautifully landscaped living memorial in perpetuity, and where loved ones and the community can come to honor and celebrate life.

Independent Auditor's Report

MGO Certified Public Accountants.

Sacramento
3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement of the
Orange County Employees Retirement System
Santa Ana, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Orange County Employees Retirement System (the System), California, as of and for the year ended December 31, 2013, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Orange County Employees Retirement System, California, as of December 31, 2013, and the changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 10, based on the most recent actuarial valuation of the pension plan as of December 31, 2013, the System's independent actuary determined that the actuarial accrued liability exceeded the actuarial value of its assets by $5.4 billion. The most recent actuarial value of assets as of December 31, 2013 does not reflect the remaining deferred investment gains that will be recognized in the future. Our opinion is not modified with respect to this matter.

As described in Note 11, based on the most recent actuarial valuation of the Orange County Fire Authority (the Authority) health care plan as of July 1, 2012, the Authority's independent actuary determined that the actuarial accrued liability exceeded the actuarial value of its assets by $127.8 million. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended December 31, 2012, from which such partial information was derived.

We have previously audited the System's 2012 financial statements, and we expressed an unmodified audit opinion on the financial statements in our report dated June 4, 2013. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedules of Funding Progress and the Schedules of Employer Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements. The other supplemental information, introductory, investment, actuarial and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2014 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
July 11, 2014

Management's Discussion and Analysis

This section presents Management's Discussion and Analysis (MD&A) of Orange County Employees Retirement System's (OCERS or System) financial performance and a summary of OCERS's financial position and activities as of and for the year ended December 31, 2013. It is a narrative overview and analysis that is presented in conjunction with the Chief Executive Officer's Letter of Transmittal, included in Section I – Introductory to this Comprehensive Annual Financial Report. The MD&A should also be read in conjunction with OCERS's Basic Financial Statements as presented in this report. Amounts in this section have been grouped together to facilitate readability.

OCERS is primarily responsible for administering retirement benefits as well as acting as a trustee and custodian for retirement health benefit plan funds that are sponsored by participating employers. OCERS's financial information is comprised of four fiduciary funds: a defined benefit pension trust fund, two other postemployment benefit (OPEB) trust funds for retiree medical plans and an agency fund.

Financial Highlights

- The net position restricted for pension and other postemployment benefits as of December 31, 2013 and 2012 are $11.0 billion and $9.8 billion, respectively.
- The restricted fiduciary net position representing assets available to pay current and future member pension and health care benefits, increased $1.2 billion or 12.9%. The increase in fiduciary net position during 2013 is primarily from positive returns on investments and a net positive cash flow from contributions less deductions.
- Total additions to fiduciary net position increased 15% in 2013 from $1.6 billion to $1.9 billion.
  - Net investment income increased 15.3% from $1.0 billion in 2012 to $1.2 billion in 2013. The gross year-to-date rate of return on investments on a fair value basis was approximately 11.14% in 2013, down from 12.26% earned in 2012.
  - Contributions received from employers and employees totaled $720.8 million in 2013, an increase of 14.6% compared to 2012 contributions received of $629.0 million.
- Total deductions from fiduciary net position increased $46.9 million or 8% from $585.3 million in 2012 to $632.2 million in 2013.
  - Member pension benefit payments increased by $45.4 million or 8.6% in 2013 from $530.2 million to $575.6 million.
  - The number of retired members and beneficiaries receiving a benefit payment increased 4% from 13,947 payees at the end of 2012 to 14,505 as of December 31, 2013.
  - The average annual benefit paid to retired members and beneficiaries during 2013 was $38,579, an increase of 1.5% over the average annual benefit payment of $38,020 in 2012.
- Based upon the most recent actuarial valuation as of December 31, 2013 prepared by the System's independent actuary, OCERS's funding status for the pension plan, as measured by the ratio of the actuarial value of assets (which smoothes market gains and losses over five years) to the actuarial value of accrued liabilities, increased from 62.52% at December 31, 2012 to 65.99% at December 31, 2013. If market gains and losses were recognized immediately, OCERS's funding status would increase to 67.65% at the end of 2013 compared to 63.17% at the end of 2012.

Management's Discussion and Analysis

(Continued)

Overview of the Financial Statements

This MD&A serves as an introduction and overview of the OCERS's Basic Financial Statements. The Basic Financial Statements and required disclosures are prepared in accordance with accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB). These pronouncements require OCERS to make certain disclosures and to report using the full accrual method of accounting. OCERS's Basic Financial Statements are comprised of the following:

Statement of Fiduciary Net Position - The Statement of Fiduciary Net Position presents the major categories of assets and liabilities and their related value as of December 31, 2013; OCERS's fiscal year end. The difference between assets and liabilities is reported as "Net Position Restricted for Pension and Other Postemployment Benefits," representing funds available to pay benefits. The Statement of Fiduciary Net Position includes prior year-end balances for comparative purposes. Increases and decreases in Net Position Restricted for Pension and Other Postemployment Benefits, when analyzed over time, may serve as an indicator of whether OCERS's financial position is improving or deteriorating.

Statement of Changes in Fiduciary Net Position - The Statement of Changes in Fiduciary Net Position provides information about the financial activities during the reporting period that increased and decreased Net Position Restricted for Pension and Other Postemployment Benefits. For comparative purposes, prior year-end balances are also provided.

Notes to the Basic Financial Statements - The Notes to the Basic Financial Statements are an integral part of the basic financial statements and provide additional information that is essential to acquire a full understanding of the information provided in the two statements discussed above. The notes include further discussion and details regarding OCERS's key policies, programs, investments and activities that occurred during the year.

Required Supplementary Information - The Required Supplementary Information contains two supporting schedules of historical trend information related to each of the plans reported in the Basic Financial Statements: pension plan and Orange County Fire Authority's retiree medical plan (The County of Orange maintains the reporting responsibility for its retiree medical plan, so it is not included in OCERS's Required Supplementary Information schedules). The two schedules presented for each plan are: Schedule of Funding Progress and Schedule of Employer Contributions. The information contained in these schedules is based on actuarial valuations prepared for each benefit plan. The valuation reports include additional actuarial information that contributes to the understanding of the changes in the actuarial funding progress of these defined benefit pension and other postemployment benefit plans over the past six years as presented in the schedules. The actuarial information is based upon assumptions made regarding future events at the time the valuations were performed. Therefore, the amounts presented in the schedules are management's estimates. A summary of factors that affected the trends of the actuarial information is included in this section as well.

Other Supplemental Information - The Other Supplemental Information includes schedules pertaining to OCERS's administrative expenses, investment expenses, professional services and a statement of changes for the agency fund.

Financial Analysis

Table #1 and #2 compare and summarize OCERS's financial activity for the current and prior fiscal years.

Table #1

Fiduciary Net Position

As of December 31, 2013 and 2012

(Dollars in Thousands)

	12/31/2013	12/31/2012	Increase / (Decrease)	Percentage Change
Assets				
Cash and Cash Equivalents	$379,366	$418,141	$(38,775)	-9.3%
Securities Lending Collateral	305,339	305,096	243	0.1%
Receivables	238,363	388,499	(150,136)	-38.6%
Investments	10,734,137	9,501,481	1,232,656	13.0%
Capital Assets, Net	17,579	12,781	4,798	37.5%
Total Assets	**11,674,784**	**10,625,998**	**1,048,786**	**9.9%**
Liabilities				
Obligations Under Securities Lending Program	305,339	305,096	243	0.1%
Securities Purchased	109,663	308,635	(198,972)	-64.5%
Other	248,521	261,278	(12,757)	-4.9%
Total Liabilities	**663,523**	**875,009**	**(211,486)**	**-24.2%**
Net Position Restricted for Pension and Other Postemployment Benefits	**$11,011,261**	**$9,750,989**	**$1,260,272**	**12.9%**

As of December 31, 2013, OCERS held net position of $11.0 billion restricted for pension and other postemployment benefits. Total assets increased $1.0 billion or 9.9% from 2012. The increase in assets is attributed to appreciation in fair value of investments, particularly due to a strong performance in both the U.S. and global equities market. The decrease in receivables from the prior year is primarily attributed to the timing of investments for unsettled trades that occurred close to year-end being less than what was unsettled in the prior year. Capital assets increased $4.8 million due to continued progress in implementing the new Pension Administration Software System (V3).

The decrease in total liabilities is primarily a result of a reduction in securities purchased due to the timing of unsettled security purchases at year-end. Other liabilities decreased due to the closure of the investment account of the Orange County Fire Authority (OCFA) OPEB 115 Agency Fund. This closure resulted in the transfer of assets in the amount of $15.4 million from the OPEB 115 Agency Fund to OCFA's Health Care Fund and eliminated the due to employers liability in the same amount.

Management's Discussion and Analysis

(Continued)

Table #2

Changes in Fiduciary Net Position

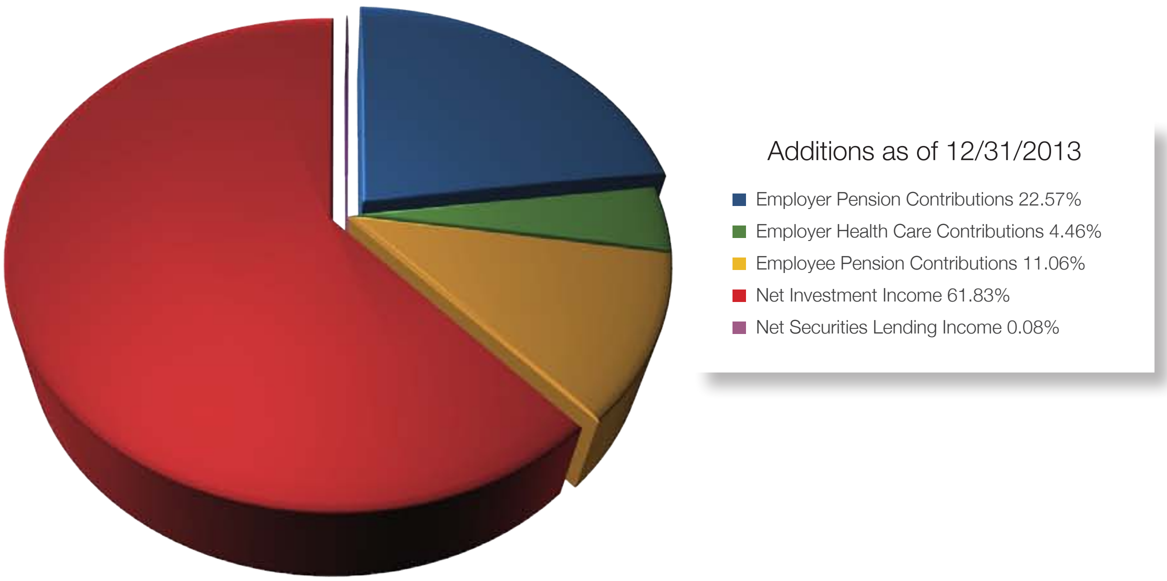
For the Years Ended December 31, 2013 and 2012
(Dollars in Thousands)

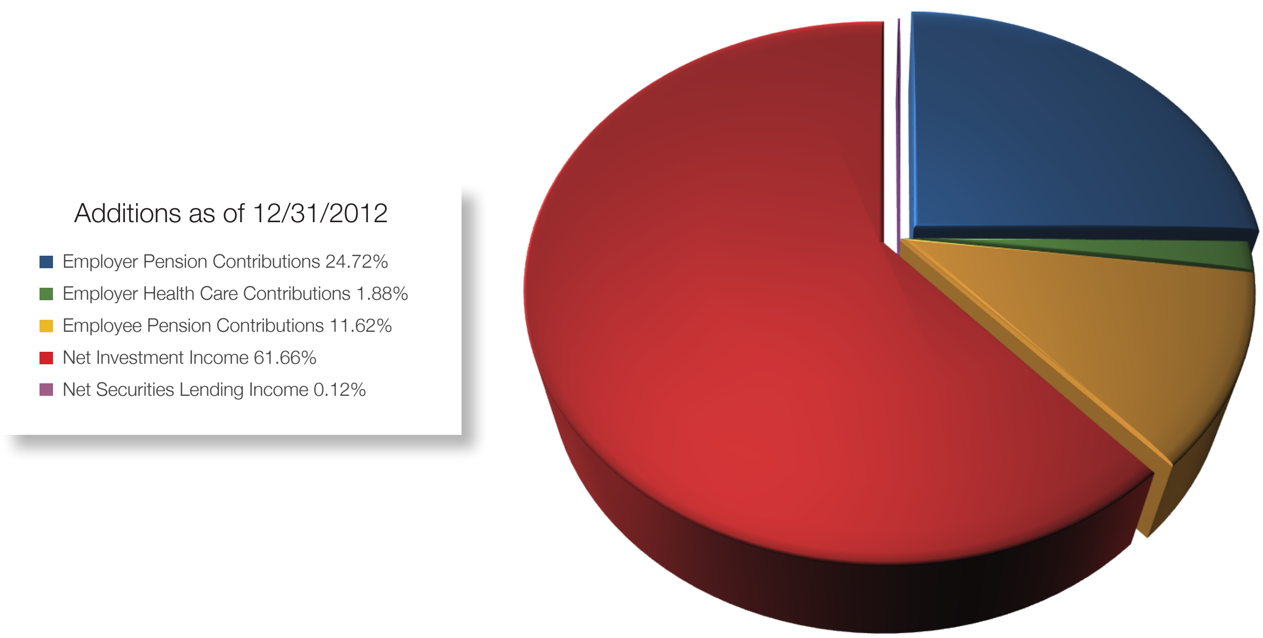
	12/31/2013	12/31/2012	Increase / (Decrease)	Percentage Change
Additions				
Employer Pension Contributions	$427,095	$406,805	$20,290	5.0%
Employer Health Care Contributions	84,406	30,985	53,421	172.4%
Employee Pension Contributions	209,301	191,215	18,086	9.5%
Net Investment Income	1,170,178	1,014,807	155,371	15.3%
Net Securities Lending Income	1,478	2,031	(553)	-27.2%
Total Additions	**1,892,458**	**1,645,843**	**246,615**	**15.0%**
Deductions				
Participant Benefits – Pension	575,633	530,269	45,364	8.6%
Participant Benefits – Health Care	30,843	29,893	950	3.2%
Death Benefits	787	788	(1)	-0.1%
Member Withdrawals and Refunds	9,864	10,097	(233)	-2.3%
Administrative Expenses – Pension	15,025	14,209	816	5.7%
Administrative Expenses – Health Care	34	28	6	21.4%
Total Deductions	**632,186**	**585,284**	**46,902**	**8.0%**
Increase in Net Position Restricted for Pension and Other Postemployment Benefits	**1,260,272**	**1,060,559**	**199,713**	**18.8%**
Net Position Restricted for Pension and Other Postemployment Benefits				
Beginning of the Year, as Previously Reported	9,750,989	8,693,001		
Restatement of Net Position	–	(2,571)		
Beginning of the Year, as Restated	9,750,989	8,690,430		
End of Year	**$11,011,261**	**$9,750,989**		

Management's Discussion and Analysis

(Continued)

Additions to Fiduciary Net Position - Additions to fiduciary net position increased 15% in 2013. Total additions for the year ended December 31, 2013 were $1.9 billion compared to $1.6 billion for the same period in 2012. The primary reason for the increase was due to higher net investment income which increased by 15.3% compared to the prior year. This increase is due to a strong performance in the investment portfolio during 2013. Investment returns at gross for the year ended December 31, 2013 were 11.14% compared to prior year's return of 12.26%. Total employer and employee pension contributions also increased by 5% and 9.5%, respectively, as a direct result of increases in the average employer and employee contribution rates. The increase of $53.4 million in employer health care contributions is due to a larger employer contribution for the County Health Care Fund which increased by $38.7 million compared to the prior year and the closure of the investment account of the OCFA OPEB 115 Agency Fund as previously discussed in Table #1, resulting in a $15.4 million employer contribution to the Health Care Fund - OCFA.

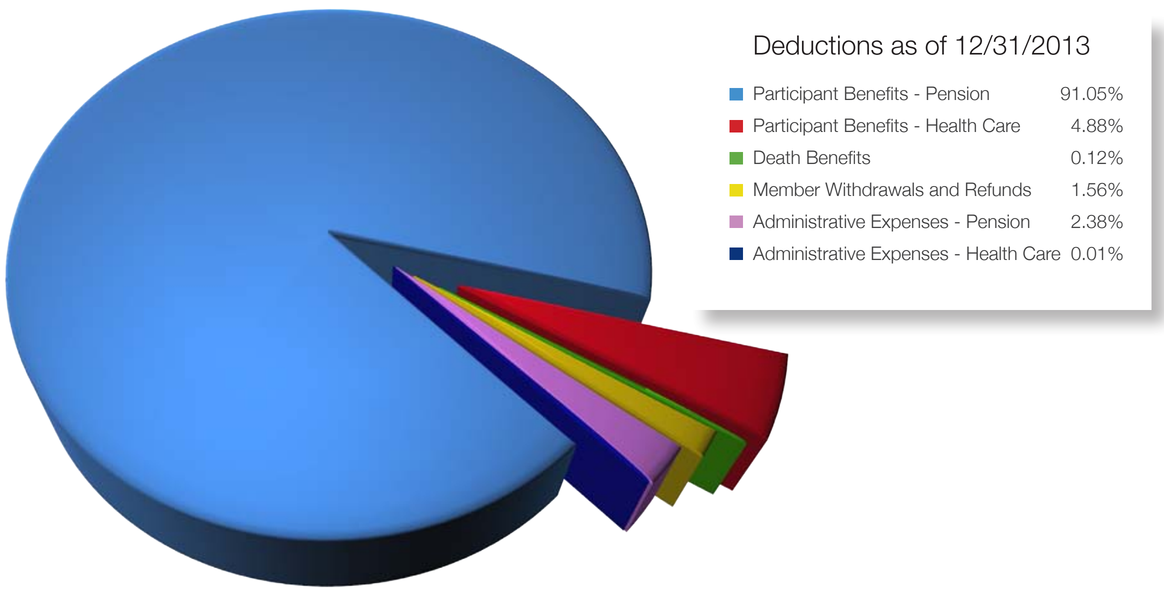


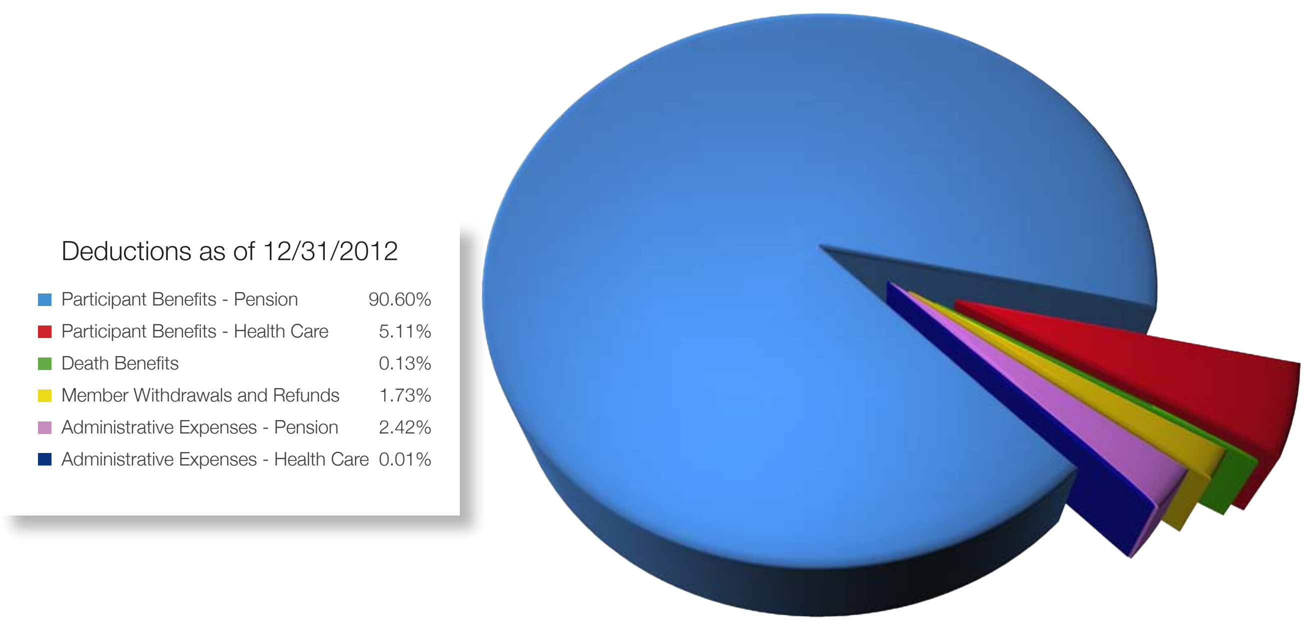


Management's Discussion and Analysis

(Continued)

Deductions from Fiduciary Net Position - Deductions from fiduciary net position increased 8% compared to the prior year due to the continued and anticipated growth in member pension benefit payments, both in the total number of OCERS's retired members receiving a pension benefit and an increase in the average benefit received.





Management's Discussion and Analysis

(Continued)

OCERS Membership

The table below provides comparative OCERS's membership data for the last two fiscal years.

Table #3
Membership Data

As of December 31, 2013 and 2012

	12/31/2013	12/31/2012	Increase	Percentage Change
Active Members	21,368	21,289	79	0.4%
Retired Members	14,505	13,947	558	4.0%
Deferred Members	4,613	4,382	231	5.3%
Total Membership	**40,486**	**39,618**	**868**	**2.2%**

Total OCERS's membership increased during 2013 with a net increase of 868 members. The number of active members increased by 79 or 0.4% and the number of retirees increased by 558 or 4% suggesting that employers have slowly started to replace employees that have retired. In previous years, during the tough economic times, employers were faced with strained budgets and held back on filling open positions which resulted in a decrease to the number of active members.

Actuarial Valuations

In order to determine whether Net Position Restricted for Pension Benefits will be sufficient to meet future obligations, a calculation of the actuarial funded status is required. An actuarial valuation includes an appraisal of both the assets available to pay future benefits and the liabilities of the system, which represent the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine the amount of future contributions by the employees (members) and employers (plan sponsors) needed to pay all expected future benefits. OCERS utilizes an independent actuarial firm, The Segal Company (Segal), to prepare an annual valuation.

In order to prepare the valuation, the actuary must use several assumptions with regards to OCERS's members such as their life expectancy, projected salary increases over time, and the age in which members will retire. The actuary must also utilize assumptions with regards to how the assets will perform over time. A key assumption in this regard is the expected rate of return. OCERS had used an assumed rate of return of 7.75% in its annual actuarial valuation since 2004, but following an actuarial review, the Board of Retirement decreased the assumed rate of return to 7.25% as of the December 31, 2012 actuarial valuation. The cost impact reflected in the employer contribution rate as a result of this assumption change is being phased-in over two years and the rates in the valuation as of December 31, 2013 reflect the final year of this phase-in. All assumptions used by the actuary are reviewed and adjusted, as required, on a triennial basis by the Board of Retirement.

In the actuarial valuation for the pension plan as of December 31, 2013, the ratio of the valuation value of assets to actuarial accrued liabilities increased from 62.52% to 65.99%, primarily as a result of better than expected investment returns and lower than expected salary increases. The calculation of funding status takes into account OCERS's policy to smooth the impact of market volatility by spreading each year's gains or losses over five years. Using the market value of assets as of the valuation date the funded status of OCERS's pension plan increased from 63.17% in 2012 to 67.65% in 2013.

Management's Discussion and Analysis

(Continued)

Effective January 1, 2013, the Public Employees Pension Reform Act (PEPRA) was applied to new members entering the System. As a result of this new law, three new benefit formulas were created for employees entering OCERS on or after January 1, 2013: PEPRA – General 1.62% @ 65; PEPRA – General 2.5% @ 67; and PEPRA – Safety 2.7% @ 57. New plan provisions include a limit on pensionable income, three year final average salary, and new cost sharing by members. PEPRA members are reported in the current valuation as of December 31, 2013.

On June 25, 2012, GASB approved Statement No. 67, *Financial Reporting for Pension Plans*, and is effective for financial statements for periods beginning after June 15, 2013. As a result of this pronouncement, although not mandated, OCERS voluntarily adopted an actuarial funding policy which reduced the amortization period of its Unfunded Actuarial Accrued Liability (UAAL) for any future assumption or method changes from its current 30-year amortization period to a 20-year amortization period. Future actuarial gains and losses will now be amortized over 20 years rather than 15 years previously. In addition, all current remaining bases from the 2012 valuation have been combined and re-amortized over a single 20-year period.

Investment and Economic Summary

During 2013, the investment markets experienced strong returns, particularly in U.S. equities which can be attributed to the strength in the U.S. economy. Overall Gross Domestic Product (GDP) growth improved, unemployment fell to around 6.7%, and the consumer confidence index rose to 78.1 creating a favorable environment for U.S. stocks.

At its June 2012 Board Meeting, OCERS's Board of Retirement amended its investment policy to diversify its strategic asset allocation, including decreasing its holdings in international equity securities, domestic and international fixed income, and real return investments and increasing its holdings in the areas of diversified credit and absolute return. During 2013, the portfolio was reallocated based on the amended policy and this diversification will better position OCERS's investment portfolio to withstand future potential market fluctuations and maintain a more risk-balanced approach.

OCERS's gross investment return for 2013 was 11.14% and 10.87% net of fees, primarily due to the strong performance of domestic and global equity securities. The rate of return on OCERS's investment portfolio is an integral component of the annual additions to the pension plan as total investment income is typically the largest contribution to the plan's annual additions to retirement plan assets. Net investment income added over $1.1 billion to plan assets in 2013.

Request for Financial Information

This Comprehensive Annual Financial Report is designed to provide the Board of Retirement, plan members, taxpayers and investment managers with a general overview of OCERS's finances and to demonstrate OCERS's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional information to:

Orange County Employees Retirement System
2223 East Wellington Avenue, Suite 100
Santa Ana, CA 92701

Section II

Financial: Basic Financial Statements

A Legacy of Service

Orange County Sheriff's Department

Orange County Sheriff's Department

The Orange County Sheriff's Department is a large, multi-faceted law enforcement agency served by approximately 4,000 sworn and professional staff members, and more than 800 reserve personnel. The department consists of five organizational Commands comprised of 21 separate Divisions. The Executive Command includes Sheriff's Executive Management, Community Services and Media/Government Relations; the Administrative Services Command includes Communications, Financial/Administrative Services, Research & Development and Support Services; the Custody Operations and Court Services Command include the three Jail Facilities in Orange County, Inmate Services and Court Operations; the Field Operations & Investigative Services Command includes Airport Operations, Homeland Security, North and South Patrol Operations and Investigations and the Professional Services Command includes Coroner Services, Crime Lab, Professional Standards, S.A.F.E., and Training.


ORANGE COUNTY SHERIFF
HARBOR PATROL
FURUNO

Statement of Fiduciary Net Position

As of December 31, 2013
(with summarized comparative amounts for December 31, 2012)
(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund - County	Health Care Fund - OCFA	OPEB 115 Agency Fund	Total Fund	Comparative Totals 2012
Assets						
Cash and Short-Term Investments						
Cash and Cash Equivalents	$372,800	$5,296	$1,204	$66	$379,366	$418,141
Securities Lending Collateral	300,107	4,263	969	-	305,339	305,096
Total Cash and Short-Term Investments	672,907	9,559	2,173	66	684,705	723,237
Receivables						
Investment Income	17,767	252	57	-	18,076	22,227
Securities Sales	89,498	1,271	289	-	91,058	132,238
Contributions	14,857	-	-	-	14,857	13,340
Foreign Currency Forward Contracts (Net)	2,606	37	8	-	2,651	9,323
Other Receivables	109,806	1,560	355	-	111,721	211,371
Total Receivables	234,534	3,120	709	-	238,363	388,499
Investments at Fair Value						
Domestic Equity Securities	1,833,625	26,049	5,923	6,222	1,871,819	1,639,243
International Equity Securities	1,375,956	19,547	4,445	2,677	1,402,625	1,542,843
Global Equity Securities	553,355	7,861	1,787	-	563,003	435,067
Domestic Fixed Income	1,285,318	18,260	4,152	4,198	1,311,928	1,582,201
International Fixed Income	368,048	5,229	1,189	-	374,466	662,508
Real Estate	993,828	14,119	3,210	-	1,011,157	967,362
Diversified Credit	596,795	8,478	1,928	-	607,201	96,521
Emerging Markets Equity	462,947	6,577	1,495	-	471,019	509,077
Emerging Markets Debt	267,691	3,803	865	-	272,359	-
Real Return	936,564	13,305	3,025	-	952,894	902,120
Absolute Return	1,427,943	20,286	4,613	-	1,452,842	555,668
Private Equity	435,235	6,183	1,406	-	442,824	608,871
Total Investments at Fair Value	10,537,305	149,697	34,038	13,097	10,734,137	9,501,481
Capital Assets, Net	17,579	-	-	-	17,579	12,781
Total Assets	**11,462,325**	**162,376**	**36,920**	**13,163**	**11,674,784**	**10,625,998**
Liabilities						
Obligations Under Securities Lending Program	300,107	4,263	969	-	305,339	305,096
Securities Purchased	107,784	1,531	348	-	109,663	308,635
Unearned Contributions	172,348	-	-	-	172,348	177,347
Retiree Payroll Payable	49,458	1,790	254	-	51,502	47,849
Other	11,310	161	37	-	11,508	11,208
Due to Employers	-	-	-	13,163	13,163	24,874
Total Liabilities	**641,007**	**7,745**	**1,608**	**13,163**	**663,523**	**875,009**
Net Position Restricted for Pension and Other Postemployment Benefits	**$10,821,318**	**$154,631**	**$35,312**	**$-**	**$11,011,261**	**$9,750,989**

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2013
(with summarized comparative amounts for December 31, 2012)
(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund - County	Health Care Fund - OCFA	Total Fund	Comparative Totals 2012
Additions					
Contributions					
Employer	$427,095	$66,057	$18,349	$511,501	$437,790
Employee	209,301	-	-	209,301	191,215
Total Contributions	636,396	66,057	18,349	720,802	629,005
Investment Income					
Net Appreciation in Fair Value of Investments	1,012,652	11,682	1,501	1,025,835	851,528
Interest on:					
Domestic and International Fixed Income	57,739	822	188	58,749	76,804
Cash with County Treasurer	2	-	-	2	5
Domestic Dividends	3,037	43	10	3,090	12,900
International Dividends	37,575	535	122	38,232	47,063
Real Estate Income	42,331	603	138	43,072	52,550
Private Equity	37,743	538	123	38,404	14,704
Less: Investment Management Fees	(29,768)	(424)	(97)	(30,289)	(31,975)
Foreign Income Tax Expense/Other	(8,831)	(126)	(29)	(8,986)	(9,899)
Securities Lending Revenue	1,981	28	6	2,015	2,872
Less: Securities Lending Fees	(527)	(8)	(2)	(537)	(841)
Net Securities Lending Revenue	1,454	20	4	1,478	2,031
Commission Recapture-Net/Other	2,033	29	7	2,069	1,127
Net Investment Income	1,155,967	13,722	1,967	1,171,656	1,016,838
Total Additions	**1,792,363**	**79,779**	**20,316**	**1,892,458**	**1,645,843**
Deductions					
Participant Benefits	575,633	28,293	2,550	606,476	560,162
Death Benefits	787	-	-	787	788
Member Withdrawals and Refunds	9,864	-	-	9,864	10,097
Administrative Expenses	15,025	20	14	15,059	14,237
Total Deductions	**601,309**	**28,313**	**2,564**	**632,186**	**585,284**
Net Increase	**1,191,054**	**51,466**	**17,752**	**1,260,272**	**1,060,559**
Net Position Restricted For Pension and Other Postemployment Benefits, Beginning of Year, as Previously Reported	9,630,264	103,165	17,560	9,750,989	8,693,001
Restatement of Net Position	-	-	-	-	(2,571)
Net Position Restricted For Pension and Other Postemployment Benefits, Beginning of Year, as Restated	9,630,264	103,165	17,560	9,750,989	8,690,430
Ending Net Position Restricted For Pension and Other Postemployment Benefits	**$10,821,318**	**$154,631**	**$35,312**	**$11,011,261**	**$9,750,989**

The accompanying notes are an integral part of these financial statements.

Notes to the Basic Financial Statements

Note 1 – Plan Description

The Orange County Employees Retirement System (OCERS or System) was established in 1945 under the provisions of the County Employees Retirement Law of 1937 (CERL). OCERS is governed by a ten-member Board of Retirement, nine voting members and one alternate member. Board membership consists of four members appointed by the County of Orange Board of Supervisors, five members elected by the members of the System, including an alternate, two by the general members, one by the safety members, and one by the retired members. Safety members elect the alternate member. The County of Orange Treasurer Tax-Collector, elected by the voters registered in the County, serves as an Ex-Officio member.

OCERS operates as a cost sharing multi-employer defined benefit pension plan for the County of Orange, City of San Juan Capistrano, and thirteen special districts: Orange County Cemetery District, Orange County Children and Families Commission, Orange County Department of Education, Orange County Employees Retirement System, Orange County Fire Authority, Orange County In-Home Supportive Services Public Authority, Orange County Local Agency Formation Commission, Orange County Public Law Library, Orange County Sanitation District, Superior Court of California, Orange County Transportation Authority, Transportation Corridor Agencies and the University of California, Irvine Medical Center and Campus. The Orange County Department of Education and the University of California, Irvine Medical Center and Campus are closed to new member participation and only the latter has remaining active employees. OCERS is legally and fiscally independent of the County of Orange.

Pension Plan Membership

OCERS provides retirement, disability and death benefits to general and safety members. Safety membership includes those members serving in active law enforcement, fire suppression and as probation officers. General membership applies to all other occupations. Plan retirement benefits are tiered based upon date of OCERS membership.Tier 1 members were hired prior to September 21, 1979 and use their highest one-year average salary to determine their retirement allowance while Tier II members were hired after September 21, 1979 and use their highest three-year average salary to determine their retirement allowance. All regular employees scheduled to work 20 hours or more per week become members of the plan upon commencing employment with one of OCERS's plan sponsors, except for certain elected officials who have to elect to participate in OCERS. Active members are categorized as vested in the chart below upon accumulating five years of accredited service or attaining the age of 70. Further information regarding benefit eligibility is described below under Deferred Members Benefits.

Additional information regarding the pension plan's benefit structure is included in the *Summary Plan Description* that is available on the web at **www.ocers.org/member_active/spd.htm**.

OCERS Membership

As of December 31, 2013

Active Members	
Vested	17,900
Non-Vested	3,468
Total Active Members	21,368
Retired Members & Beneficiaries	14,505
Deferred Members	4,613
Total Membership	**40,486**

Notes to the Basic Financial Statements

Note 1 – Plan Descriptions (Continued)

Member Retirement Benefits

Members with ten or more years of service credit are entitled to receive a retirement allowance beginning at age 50 (5 years of service and age 52 for PEPRA), at any age with thirty years of service credit (twenty years service credit for safety members), or if a part-time employee at age 55 or older with five or more years of service credit and at least ten years of active employment with a sponsoring agency covered by OCERS. Members attaining age 70 are eligible to retire regardless of credited service. Benefits received are determined by plan formula, age, years of service and final average salary. Member rate groups and benefit plans as of December 31, 2013 are as follows:

Rate Group	Plan Type	Benefit Formula per Year of Service	Sponsoring Agencies Include
#1	General	2.0%@57; 1.67%@57.5; & 2.5%@67 PEPRA	County of Orange; OC In-Home Supportive Services Public Authority; OC Department of Education & UCI Medical Center and Campus
#2	General	2.7%@55; 1.62%@65; 2.0%@57; 1.62%@65 PEPRA; & 2.5%@67 PEPRA	City of San Juan Capistrano; OC LAFCO; OCERS; Superior Court of California, County of Orange; County of Orange; & OC Children and Families Commission
#3	General	2.5%@55; 1.64%@57; & 2.5%@67 PEPRA	OC Sanitation District & OC Public Law Library
#5	General	2.0%@57 & 1.67%@57.5	OC Transportation Authority
#6	Safety	3.0%@50 & 2.0%@57 PEPRA	County of Orange (Probation)
#7	Safety	3.0%@50; 3.0%@55; & 2.7%@57 PEPRA	County of Orange (Law Enforcement)
#8	Safety	3.0%@50; 3.0%@55; & 2.7%@57 PEPRA	OC Fire Authority
#9	General	2.0%@55 & 2.5%@67 PEPRA	Transportation Corridor Agencies
#10	General	2.7%@55; 2.0%@55; & 2.5%@67 PEPRA	OC Fire Authority
#11	General	2.0%@55 & 2.5%@67 PEPRA	OC Cemetery District

Public Employees Pension Reform Act (PEPRA)

During 2012, the Public Employees Pension Reform Act (PEPRA) was signed into law, resulting in the creation of three new benefit formulas for employees entering OCERS on or after January 1, 2013: 1.62% @ 65 PEPRA - General; 2.5% @ 67 PEPRA - General; and 2.7% @ 57 PEPRA - Safety. New plan provisions include a cap on pensionable compensation at 120% of the social security taxable wage base limit, three year final average salary, and new cost sharing requirements by members to pay at least 50% of the total normal cost of the plan.

Deferred Member Benefits

If a member terminates, the member is entitled to withdraw the employee contributions made, together with accumulated interest, unless the member enters a reciprocal retirement system within 180 days and elects to leave their accumulated contributions on deposit with OCERS and receive a deferred retirement allowance when eligible. There are different deferred retirement eligibility requirements for members with less than five years of service when terminating and leaving funds on deposit. It is possible for these members to earn a deferred retirement allowance upon attaining the age of 70, or upon accumulating reciprocal service. Members who terminate and defer with five or more years of service may become eligible for a service retirement allowance when they would have accrued ten years of service and attain the age of 50 or greater (5 years of service and age 52 for PEPRA).

Notes to the Basic Financial Statements

Note 1 – Plan Descriptions (Continued)

Disability Benefits

Members found by the Board of Retirement to be permanently incapacitated from the performance of their job are eligible for disability retirement benefits. A disability retirement benefit may either be service-connected or nonservice-connected. Members applying for nonservice-connected disability must have five or more years of eligible service credit. There are no service credit requirements for members applying for service-connected disability benefits, but the disabling condition must be a result of injury or disease arising out of or in the course of the member's employment.

Death Benefits

Death benefits are payable to eligible beneficiaries of OCERS members. Eligible beneficiaries of retired members may receive a percentage of a deceased member's retirement allowance based upon the retirement option selected by the member at the time of retirement. The beneficiary of a retired member will also receive a $1,000 burial allowance.

Survivor benefits for members who die prior to retirement are dependent upon a number of factors including whether or not the member was eligible for a service retirement or disability retirement at the time of death, and whether the death was job related. The eligible beneficiary of a member who is not eligible for service retirement or disability retirement is eligible to receive the member's accumulated contributions plus one month's salary for each year of creditable service, subject to a maximum of six month's salary. The eligible beneficiary of a member who is entitled to receive a service retirement or disability retirement, in lieu of the benefit described above, may elect to receive a monthly retirement allowance equal to 60% of the monthly allowance the member would have received for a non-service connected disability as of the date of death, or a monthly allowance equal to 50% of the member's monthly compensation if the death was found to be service-connected.

Cost-of-Living Adjustments

Retired member monthly allowances will be adjusted annually in accordance with changes in the cost-of-living, as determined by the average annual change in the Consumer Price Index (CPI) for the prior calendar year. The cost-of-living adjustment is limited to a maximum increase or decrease of three percent per year as established by the Board of Retirement. The 2013 cost-of-living adjustment ranged from 2% to 3% based on the date benefit recipients began receiving benefits.

STAR COLA

Retired members and eligible beneficiaries who have lost more than 20% of their original retirement benefit's purchasing power due to inflation are eligible to receive the STAR COLA (Supplemental Targeted Adjustment for Retirees Cost of Living Adjustment). STAR COLA benefits are reviewed annually by the Board of Retirement and as of December 31, 2013 only those members that retired on or before April 1, 1981 are eligible to receive the STAR COLA benefit.

Postemployment Health Care Plans

OCERS serves as trustee for the County of Orange (County) and Orange County Fire Authority (OCFA) postemployment health care plan trusts established under Internal Revenue Code section 401(h) which are reported as other postemployment benefit trust funds in OCERS annual financial statements. Health care assets for the 401(h) trust are commingled with pension trust assets for investment purposes and are used exclusively to pay health allowances to eligible retired members of the County of Orange and the OCFA.

In July 2007, the County of Orange established under Internal Revenue Code both a 115 trust and a 401(h) trust as a funding source of retiree health care benefits, including grants, for the County of Orange Retiree Medical Plan (the "Plan"). The County maintains control and custody of all the 115 trust assets, which acts as a conduit for collecting contributions and passing them through to the 401(h) trust at their discretion, as well as distributing lump sum health

Notes to the Basic Financial Statements

Note 1 – Plan Descriptions (Continued)

care grant payments as part of a termination program that is being phased-out. OCERS maintains custody of the assets in the 401(h) trust and pays all primary benefits of the Plan as directed by the County of Orange. The County has taken reporting responsibility of the Plan in accordance with GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. A publicly available financial report can be obtained from the County of Orange at 12 Civic Center Plaza, Santa Ana, California 92702 or their website at http://ac.ocgov.com/.

In order to be eligible to receive the County of Orange Retiree Medical Grant (Grant) upon retirement, the employee must have completed at least ten years of continuous County service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Plan and be able to receive a monthly benefit payment from OCERS. To qualify as a retiree as defined by the Plan, the employee upon retirement must be at least 50 years of age or have at least 20 years of service for a safety member of OCERS or at least 30 years of service for a general member of OCERS.

Employees represented by the American Federation of State, County and Municipal Employees (AFSCME) who were employed on or after September 30, 2005 are not eligible for the Grant. Employees represented by the Association of Orange County Deputy Sheriffs (AOCDS) who were hired on or after October 12, 2007 are not eligible for the Grant or lump sum payment. Law enforcement management employees who were hired on or after June 19, 2009 are not eligible for the Grant.

The monthly Grant amount is determined by a formula that multiplies a base number by the number of years of qualifying County employment up to a maximum of 25 years. The base number for calendar year 2013 is $19.91 per year of County service, and the maximum monthly Grant is $497.75. The amount of the Grant is netted against the monthly health plan premium and/or reimburses Medicare premiums paid by the retiree for retiree and dependent coverage with the retiree obligated to pay the remaining balance. Any grant in excess of the monthly health plan and/or Medicare premium payable is forfeited.

The Grant is reduced by 50% once the retiree becomes Medicare A and B eligible. Retirees who were age 65 and/or Medicare A and B eligible on the effective date are not subject to the Medicare reduction. The Grant is also reduced by 7.5% for each year of age prior to age 60 and increased by 7.5% for each year of age after age 60 up to age 70 for employees retiring after the effective date. The effective date varies by labor agreement. Safety employees and disability retirements are exempt from the age adjustment. The base number for the Grant is adjusted annually based on a formula defined in the Plan document with a maximum increase/decrease of 3%. Surviving dependents of a deceased employee or retiree eligible for the Grant are entitled to receive 50% of the Grant that the employee/retiree was eligible to receive.

AFSCME employees are not subject to the Medicare reduction or age adjustment. In addition, the base number for the Grant is adjusted annually with a maximum increase/decrease of 5%. The base number for calendar year 2013 is $22.34 per year of County service, and the maximum monthly Grant is $558.50.

As trustee of OCFA's 401(h) OPEB trust fund, the sole source of funding for OCFA's post-employment health care plan, OCERS has taken reporting responsibility for this plan. All OCFA retirees and full-time employees hired prior to January 1, 2007, are eligible to participate in the OCFA health care plan. Eligible employees who are credited with at least one year of service are eligible to receive Plan benefits upon retirement. Participants must be covered under a qualified health plan, Medicare or a recognized health insurance plan. In 2013, retired OCFA members received $22.07 per year of creditable service, with a maximum monthly benefit of $551.75 based upon 25 or more years of creditable service.

Notes to the Basic Financial Statements

Note 1 – Plan Descriptions (Continued)

Postemployment Health Care Plan Membership
OCFA

July 1, 2012

Active Participants	804
Retired Participants and Surviving Spouses	471
Terminated Participants	9
Total Plan Participants*	**1,284**

*Membership count based upon latest actuarial valuation.

Assets are allocated on the Statement of Fiduciary Net Position between the Pension Plan and the two 401(h) Health Care Trusts based upon pro-rata shares after balances and transactions specific to the respective trusts are assigned. Contributions and benefit payment information for the Pension Plan and individual Health Care Trusts are readily identified; however, investment income must be allocated and is based upon the individual Health Care Trusts' pro-rata share of total fund assets.

In addition to serving as Trustee for the two 401(h) health care trusts, OCERS also provides investment advisory services to the Orange County Transportation Authority (OCTA) Health Care Plan pursuant to an agreement established in accordance with Internal Revenue Code section 115 (115 Plan). The OCTA 115 Plan provides postemployment health care benefits to retired members with at least ten years of OCTA service. Investments in the 115 Plan are not commingled with those of the pension plan and 401(h) plan trusts, but rather are invested in separately managed index funds.

Previously, the OCFA Health Care Plan included a 115 trust that was established to provide OCFA with an option to add contributions to its employer health care plan in excess of the contribution subordination limit described in Section 401(h). As of December 31, 2013, the investment account of the OCFA OPEB 115 Agency Fund was closed and all remaining assets in the amount of $15.4 million were transferred from the OCFA OPEB 115 Agency Fund to the Health Care Fund - OCFA.

An Agency Fund is used to account for 115 Health Care Plan assets held by OCERS in an investment capacity with the revocable trust assets reported being offset by a liability for the resources held on behalf of OCTA. Additional information regarding the OCTA Health Care Plan is available by contacting OCTA.

Notes to the Basic Financial Statements

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States. Employee and employer contributions are recognized in the period in which contributions are due, and benefits and refunds are recognized when due and payable in accordance with plan terms. Unearned contributions represent prepaid employer contributions that will be recognized as an addition to plan net position in future periods. Investment income is recognized as revenue when earned. The net appreciation/(depreciation) in the fair value of investments is recorded as an increase/(decrease) to investment income based upon investment valuations, which includes both realized and unrealized gains and losses on investments.

Investment Valuation

State Street Bank and Trust (State Street) maintains custody of the majority of OCERS's investments held as of December 31, 2013. Investments are authorized by state statute and OCERS's investment policy and consist of domestic and international fixed income; domestic, international, and global (includes both domestic and international investments) equities; emerging markets equity and debt; private equity; real return strategies; absolute return strategies; opportunistic strategies; and real estate. Investments are reported at fair value and the overall valuation process and information sources by major asset classification are as follows:

Cash and Short-Term Investments - Cash and short-term investments represent funds held in operating accounts with State Street, Wells Fargo Bank and deposits held in a pooled account with the County of Orange Treasurer. Short-term investments are expected to be utilized within 30-90 days and are reported at fair value. OCERS is a participant in the County Treasurer's Orange County Investment Pool (OCIP). The OCIP is an external investment pool, is not rated, and is not registered with the Securities Exchange Commission. The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. Deposits held in the OCIP are invested in the Orange County Money Market Fund and the Extended Fund. At December 31, 2013 the OCIP had a weighted average maturity of 310 days. The Orange County Money Market Fund is rated AAAm by Standard & Poor's. The Extended Fund is not rated. For further information regarding the OCIP, refer to the County of Orange Comprehensive Annual Financial Report.

Equities - The majority of OCERS's domestic, international and global securities, including those traded in emerging markets, are actively traded on major security exchanges, or over-the-counter. Fair value for exchange traded securities is determined as of the close of the trading date in the primary market or agreed upon exchange. The last known price is used for listed securities that did not trade on a particular date. Fair value is obtained from third party pricing sources for securities traded over-the-counter.

Debt Securities - Actively traded debt instruments such as those securities issued by the U.S. Treasury, Federal Agencies and corporate issuers are reported at fair value as of the close of the trading date. Fair values of irregularly traded debt securities are obtained from pricing vendors who employ modeling techniques in determining security values. Inputs typically employed by pricing vendors include cash flows, maturity and credit rating.

Real Estate - OCERS holds real estate assets directly and in commingled real estate funds. Real estate investments owned directly are appraised annually by independent third party appraisers in accordance with the Uniform Standards of Professional Appraisal Practice. Properties held in commingled pools are subject to regular internal appraisals by investment management firms/general partners with independent third party appraisals accomplished at regular intervals. Primary determinants of fair value include market and property type specific information which typically involve a degree of expert judgment.

OCERS engages real estate management firms to assist in the day-to-day operations of the real estate portfolio. At December 31, 2013, the estimated fair value of OCERS's real estate portfolio was $1 billion net of outstanding debt of $26.1 million. The chart below details the repayment of real estate debt obligations.

Notes to the Basic Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Real Estate Debt Obligations

As of December 31, 2013

(Dollars in Thousands)

Property	Original Loan Balance	Loan Balance	Interest Rate	Debt Structure	Maturity Date
#1	$26,375	$26,065	5.22%	Fixed interest only through 2/2013. Amortizing 30 years until 2/2015	2/1/2015

OCERS's Investment Committee has approved a maximum fifty percent (50%) leverage limit for the total real estate portfolio at the time of financing. Additionally, leverage targets are established for each investment style based on the risk/return profile of the underlying investment. Established leverage limits by investment style are as follows:

- Core Real Estate: limited to 50% of the individual asset market value at the time of financing with leverage limits at the portfolio level of 40%.
- Non-Core Real Estate: accessed through commingled funds that have pre-specified leverage limits in offering documents but will be limited to 75% of the market value of the commingled funds, at the time of financing.

Alternative Investments - OCERS invests in a variety of alternative strategies including private equity, real return and absolute return. The fair value of OCERS's alternative investments depends upon the nature of the investment and the underlying business. Typically, alternative investments are less liquid and subject to redemption restrictions. Fair value is determined either quarterly or semi-annually with valuations conducted by general partners, management and valuation specialists. Valuation techniques vary by investment type and involve expert judgment.

Included in the real return strategy are dedicated allocations to inflation linked debt, commodities, timber, energy and agriculture resources. Fair value for inflation linked debt securities and commodities are determined by quoted market prices. Fair value for timberland is determined in a manner similar to other alternative investments and involves a degree of expert judgment.

Capital Assets

Capital assets consist of furniture, equipment, intangible assets, including computer software, and building and improvements for the portion of the OCERS's headquarters building used for plan administration. Capital assets are defined by OCERS as assets with an initial, individual cost of more than $25,000 and an estimated useful life in excess of one year. Such assets are recorded at cost. Capital assets are depreciated using the straight-line depreciation method over their estimated useful lives, ranging from five to fifteen years for furniture, equipment and building improvements; three years for computer software; and sixty years for buildings.

Notes to the Basic Financial Statements

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets

As of December 31, 2013

(Dollars in Thousands)

Computer Software	$19,941
Building & Improvements	5,133
Furniture & Equipment	1,341
Total Capital Assets (at cost)	26,415
Less: Accumulated Depreciation	(8,836)
Total Capital Assets, Net of Depreciation	**$17,579**

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires OCERS to identify and capitalize costs incurred for the development of internally generated software. According to GASB Statement 51, there are three stages in the development and installation of internally generated software: (1) Preliminary Project Stage, (2) Application and Development Stage, and (3) Post-Implementation/Operation Stage. All outlays related to the Application and Development Stage must be capitalized.

OCERS began implementing and developing a new Pension Administration Software System (V-3) in 2010 and $4.8 million in expenses related to V-3 were capitalized in the current fiscal year. Intangible assets are included as Capital Assets in the Statement of Fiduciary Net Position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of net position. Actual results could differ from those estimates.

Comparative Totals

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with OCERS's financial statements for the year ended December 31, 2012, from which the summarized information was derived. Certain reclassifications have been made to the 2012 amounts to conform with the 2013 financial statement presentation. Such reclassifications had no material effect on net position as previously reported.

Notes to the Basic Financial Statements

Note 3 - Investments

OCERS may invest, in accordance with state statutes, in any form or type of investment deemed prudent by the Board of Retirement. Pension and 401(h) Health Care Plan assets are restricted for the exclusive purposes of providing benefits to plan participants and defraying reasonable expenses of administering the plans. The Board of Retirement may invest, or delegate the authority to invest, the assets of the funds through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction. Agency fund assets, restricted pursuant to section 115 of the Internal Revenue Code, are separately invested in domestic equity, international equity and domestic bond index funds in accordance with the respective OCTA Third-Party Administrative and Investment Management Agreement.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, OCERS discloses investments that are subject to custodial credit risk, credit risk, interest rate risk, foreign currency risk and concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution's failure, OCERS would not be able to recover its deposits. Deposits are exposed to custodial risk if they are not insured or not collateralized. As of December 31, 2013, OCERS's deposits with a financial institution are fully insured by FDIC insurance. Deposits held by OCERS's custodial bank are not exposed to custodial credit risk as they are held in a qualified pool trust, separate from the custodial bank assets.

For an investment, custodial credit risk is the risk that, in the event of a counterparty failure, OCERS will not be able to recover the value of its investments or collateral securities that are in the possession of counterparties. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in OCERS's name or by other qualified third party administrator trust accounts.

OCERS's investments and collateral received through securities lending are not exposed to custodial credit risk because all securities are held by OCERS's custodial bank in OCERS's name or by other qualified third party administrator trust accounts. OCERS does not maintain any general policies regarding custodial credit risk.

Credit Risk - By definition, credit risk measures the risk that an issuer or counterparty will not fulfill its obligations. Standard & Poor's defines investment grade as those fixed income securities with ratings between AAA and BBB. OCERS's investment policy permits, on an opportunistic basis, the investment in fixed income securities rated below investment grade. A rating of NR represents those securities that are not rated and NA represents those securities that are not subject to the GASB Statement No. 40 disclosure requirements. The credit ratings for individual OCERS's fixed income portfolios are monitored regularly.

At December 31, 2013, the credit ratings of the OCERS's fixed income portfolio were as follows:

Notes to the Basic Financial Statements

Note 3 - Investments (Continued)

Credit Ratings

As of December 31, 2013

(Dollars in Thousands)

Category	AAA	AA	A	BBB	BB	B	CCC	CC	D	NR	NA	Total
Pooled	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 508,525	$ -	$508,525
International	92,498	31,035	55,808	41,619	11,007	3,107	-	-	-	139,392	-	374,466
U.S. Treasuries	-	-	-	-	-	-	-	-	-	-	191,391	191,391
Corporates	-	914	29,634	75,899	80,705	43,355	41,102	587	64	5,214	-	277,474
Agency	-	135,155	-	-	-	-	-	-	-	10,413	1,325	146,893
Mortgages	28,532	3,507	10,333	14,231	-	3,103	2,112	1,547	1,780	24,853	-	89,998
Municipal	-	13,870	2,650	1,215	-	-	-	-	-	15,642	-	33,377
Asset-backed	11,539	3,530	469	-	7,342	498	4,452	150	20	9,477	-	37,477
Swaps	-	-	-	-	-	-	-	-	-	(39,190)	-	(39,190)
Total	**$132,569**	**$188,011**	**$98,894**	**$132,964**	**$99,054**	**$50,063**	**$47,666**	**$2,284**	**$1,864**	**$674,326**	**$192,716**	**$1,620,411***

* This schedule reflects credit ratings for OCERS's fixed income portfolio, including $(29.5) million of fixed income included in real return investments, and excludes appoximately $36.5 million of non-fixed income securities that are included in the domestic fixed income category on the Statement of Fiduciary Net Position.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed-income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

Interest rate risk is managed through OCERS's investment policies requiring that investment managers investing on behalf of OCERS have applicable investment guidelines and that the effective durations of fixed income portfolios remain within a defined range of the benchmark's effective duration. The primary benchmarks for domestic and international fixed income are the Barclays Capital US Universal Index and the Citigroup Non US World Government Bond Index, respectively. As of December 31, 2013, the duration was 5.3 years for the Barclays Capital US Universe Index and 7.3 years for the Citigroup Non US World Government Bond Index and all investment managers were in compliance within their defined range.

OCERS invests in a variety of fixed income instruments including asset backed securities, corporate obligations and commercial mortgage backed securities. The value, liquidity and income of these securities are sensitive to changes in overall economic conditions and the fair value of these securities may be affected by changes in interest rates, default rates and the value of the underlying securities.

The interest rate risk schedule presents the duration of fixed income securities by investment category as of December 31, 2013:

Notes to the Basic Financial Statements

Note 3 - Investments (Continued)

Interest Rate Risk Schedule

As of December 31, 2013

(Dollars in Thousands)

Category	Amount	Duration (in Years)	Percent
Pooled	$508,525	3.52	31%
International	277,355	5.40	17%
Corporates	233,055	6.11	14%
U.S. Treasuries	191,391	5.86	12%
Agency	144,689	4.48	9%
Swaps	100,600	1.72	6%
Mortgages	86,769	2.02	5%
Municipal	31,962	8.33	2%
Asset-Backed	26,319	1.44	2%
No Effective Duration:			
International	97,111	NA	6%
Corporates	44,419	NA	3%
Asset-Backed	11,158	NA	1%
Mortgages	3,229	NA	0%
Agency	2,204	NA	0%
Municipal	1,415	NA	0%
Swaps	(139,790)	NA	-8%
Total	**$1,620,411***	**4.41**	**100%**

* This schedule reflects interest rate risk for OCERS's fixed income portfolio, including $(29.5) million of fixed income included in real return investments, and excludes appoximately $36.5 million of non-fixed income securities that are included in the domestic fixed income category on the Statement of Fiduciary Net Position.

Foreign Currency Risk

The value of deposits or investments denominated in foreign currency may be adversely affected by changes in currency exchange rates. OCERS's investment policy permits investment in international securities that includes investments in international equity securities, global equity securities, emerging markets equity securities and debt, public real estate securities, real return, and international fixed income. Investment managers monitor currency exposures daily.

The following schedule represents OCERS's net exposure to foreign currency risk in U.S. dollars as of December 31, 2013:

Notes to the Basic Financial Statements

Note 3 - Investments (Continued)

Foreign Currency Risk Schedule

As of December 31, 2013

(Dollars in Thousands)

Currency - in US Dollar	Cash	Equities	Fixed Income	Options	Forwards	Swaps	Total
Australian Dollar	$ 596	$ 26,463	$ 42,868	$ -	$ 2,008	$(8)	$ 71,927
Brazilian Real	-	1,796	4,202	-	(9)	(397)	5,592
Canadian Dollar	334	20,183	16,896	-	(148)	-	37,265
Danish Krone	29	11,635	-	-	2	-	11,666
Euro Currency	11,931	365,904	111,234	(12)	(806)	(486)	487,765
Hong Kong Dollar	(7)	63,888	-	-	1	-	63,882
Iceland Krona	194	-	1,757	-	-	-	1,951
Indonesian Rupiah	-	1,184	2,505	-	-	-	3,689
Israeli Shekel	-	239	-	-	9	-	248
Japanese Yen	1,085	189,168	60,763	-	2,579	(161)	253,434
Malaysian Ringgit	-	-	3,691	-	-	-	3,691
Mexican Peso	527	-	18,513	-	30	123	19,193
New Zealand Dollar	3	-	19,654	-	(6)	-	19,651
Norwegian Krone	32	7,393	2,754	-	34	-	10,213
Polish Zloty	-	-	19,970	-	(134)	-	19,836
Pound Sterling	114	197,528	18,058	(51)	(879)	(87)	214,683
Singapore Dollar	121	17,354	3,964	-	(20)	-	21,419
South African Rand	-	984	-	-	-	-	984
South Korean Won	-	26,126	-	-	10	-	26,136
Swedish Krona	360	25,570	25,178	-	(39)	-	51,069
Swiss Franc	22	112,215	-	-	19	-	112,256
Thailand Baht	24	7,790	-	-	-	-	7,814
Amount Exposed to Foreign Currency Risk	**$15,365**	**$1,075,420**	**$352,007**	**$(63)**	**$2,651**	**$(1,016)**	**$1,444,364**

The foreign currency amounts above are included within the cash and cash equivalents, international equity, global equity, real return, and international fixed income allocations on the Statement of Fiduciary Net Position as of December 31, 2013. Swaps are included in the international fixed income and real return investment allocations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. By policy, OCERS did not hold investments in any one issuer that represented five percent (5%) or more of plan net position or total investments. Investments issued or explicitly guaranteed by the U.S. Government and any pooled investments are excluded from this policy requirement.

Notes to the Basic Financial Statements

Note 3 - Investments (Continued)

Derivative Instruments

As of December 31, 2013, all derivative instruments held by OCERS are considered investments and not hedges for accounting purposes. Any reference to the term hedging in these financial statements references an economic activity and not an accounting method. All gains and losses associated with these activities are recognized as incurred in the Statement of Changes in Fiduciary Net Position.

The table that follows presents the related net appreciation/(depreciation) in fair value, the fair value amounts and the notional amounts of derivative instruments outstanding at December 31, 2013.

Derivative Instruments

As of December 31, 2013
(Dollars in Thousands)

Investment Derivatives	Changes in Fair Value (4)		Fair Value at December 31, 2013		
	Classification	Amount(1)	Classification	Amount(2)	Notional(3)
Commodity Futures Long	Net Appreciation in Fair Value of Investments	$(267)	Real Return	$-	2,123
Commodity Futures Short	Net Appreciation in Fair Value of Investments	315	Real Return	-	(3,821)
Credit Default Swaps Bought	Net Appreciation in Fair Value of Investments	(864)	Domestic Fixed Income/ Real Return	361	$22,660
Credit Default Swaps Written	Net Appreciation in Fair Value of Investments	(175)	Domestic Fixed Income/ Real Return	434	$30,897
Equity Swaps	Net Appreciation in Fair Value of Investments	(35)	Real Return	-	$-
Fixed Income Futures Long	Net Appreciation in Fair Value of Investments	909,622	Domestic Fixed Income/ Real Return	-	1,013,328
Fixed Income Futures Short	Net Appreciation in Fair Value of Investments	42	Domestic Fixed Income/ Real Return	-	-
Fixed Income Options Bought	Net Appreciation in Fair Value of Investments	96	Domestic Fixed Income/ Real Return	35	5,893
Fixed Income Options Written	Net Appreciation in Fair Value of Investments	810	Domestic Fixed Income/ Real Return	(694)	(249,074)
Foreign Currency Futures Long	Net Appreciation in Fair Value of Investments	(635)	Cash	-	1,721
Foreign Currency Options Bought	Net Appreciation in Fair Value of Investments	5	Domestic Fixed Income	-	4,078
Foreign Currency Options Written	Net Appreciation in Fair Value of Investments	100	Domestic Fixed Income/ Real Return	-	-

Notes to the Basic Financial Statements

Note 3 - Investments (Continued)

Derivative Instruments (Continued)

Investment Derivatives	Changes in Fair Value [4] Classification	Amount[1]	Fair Value at December 31, 2013 Classification	Amount[2]	Notional[3]
Futures Options Bought	Net Appreciation in Fair Value of Investments	(25)	Domestic Fixed Income/ Real Return	7	345
Futures Options Written	Net Appreciation in Fair Value of Investments	278	Domestic Fixed Income/ Real Return	(49)	(491)
FX Forwards	Net Appreciation in Fair Value of Investments	17,933	Foreign Currency Forward Contracts (Net) Receivable	2,651	$397,218
Index Futures Long	Net Appreciation in Fair Value of Investments	34,028	International Equity Securities/Cash	-	1,078
Index Futures Short	Net Appreciation in Fair Value of Investments	(3,434)	International Equity Securities/ Real Estate	-	(33)
Pay Fixed Interest Rate Swaps	Net Appreciation in Fair Value of Investments	3,136	Domestic Fixed Income/ Real Return	4,409	$54,828
Receive Fixed Interest Rate Swaps	Net Appreciation in Fair Value of Investments	(3,557)	Domestic Fixed Income/ Real Return	290	$164,997
Rights	Net Appreciation in Fair Value of Investments	119	International Equity Securities	78	$113
Total Return Swaps Bond	Net Appreciation in Fair Value of Investments	18	Real Return	3	$3,387
Total Return Swaps Equity	Net Appreciation in Fair Value of Investments	(4,717)	Real Return	(205)	$(48,968)
Warrants	Net Appreciation in Fair Value of Investments	219	Domestic Fixed Income/International Equity/Emerging Markets Equity	64	$258
Grand Totals		**$953,012**		**$7,384**	

[1] Negative values (in brackets) refer to losses

[2] Negative values refer to liabilities

[3] Notional may be a dollar amount or number of shares underlying futures and options; negative values refer to short positions

[4] Excludes futures margin payments

Notes to the Basic Financial Statements

Note 3 - Investments (Continued)

Valuation of Derivative Instruments

Non-exchange traded instruments, such as swaps, are valued using similar methods as those described for debt securities.

Futures contracts are traded on exchanges and typically derive their value from underlying indices and are marked to market daily. All gains and losses associated with changes in the value of futures contracts also settle on a daily basis and result in the contracts themselves having no fair value at the end of any trading day, including December 31, 2013. Future variation margin accounts also settle daily and are recognized in the financial statements under net appreciation/(depreciation) in the fair value of the investment as incurred.

In general, option values are dependent upon a number of different factors, including the current market price of the underlying security, the strike price of the option, costs associated with holding a position in the underlying security including interest and dividends, the length of time until the option expires and an estimate of the future price volatility of the underlying security relative to the time period of the option.

Foreign currency forward contracts are agreements to buy or sell a currency at a specified exchange rate on a specified date. The fair value of a foreign currency forward is determined by the difference between the specified exchange rate and the closing exchange rate at December 31, 2013.

Custodial Credit Risk: Derivative Instruments

As of December 31, 2013, all investments in derivative instruments are held in OCERS's name and are not exposed to custodial credit risk as described in the previous discussion of custodial credit risk.

Counterparty Credit Risk: Derivative Instruments

A summary of counterparty credit ratings relating to non-exchange traded derivatives in asset positions as of December 31, 2013 is as follows:

Notes to the Basic Financial Statements

Note 3 - Investments (Continued)

Counterparty Credit Risk Schedule for Derivative Investments

As of December 31, 2013

(Dollars in Thousands)

Counterparty Name	S&P Rating	Foreign Currency Forward Contracts	Swaps	Total Fair Value
Bank of America N.A.	A	$11	$14	$25
Bank Of New York	A+	6	-	6
Barclays Bank PLC	A	-	1	1
Barclays Bank PLC Wholesale	A	44	-	44
Barclays Capital	A	-	9	9
BNP Paribas S.A.	A+	31	7	38
Citibank N.A.	A	17	449	466
Credit Suisse FOB CME	A	-	624	624
Credit Suisse International	A	416	507	923
Deutsche Bank AG London	A	38	17	55
Deutsche Bank CME	A	-	3,256	3,256
Deutsche Bank Securities Inc	A	-	14	14
Goldman Sachs + Co	A-	-	21	21
Goldman Sachs CME	A-	-	153	153
Goldman Sachs International	A-	-	33	33
HSBC Bank PLC	AA-	-	-	-
HSBC Bank USA	AA-	49	1	50
J P Morgan Securities Inc	A	-	2	2
J P Morgan Chase Bank	A+	1	47	48
J P Morgan Chase Bank N.A	A+	27	-	27
Morgan Stanley & Co Inc	A-	7	-	7
Morgan Stanley & Co. International PLC	A-	7	-	7
Morgan Stanley CME	A-	-	710	710
Morgan Stanley Co Incorporated	A-	2	42	44
Royal Bank Of Canada	AA-	3	-	3
Royal Bank Of Canada (UK)	AA-	7	-	7
Royal Bank Of Scotland PLC	A-	220	-	220
Standard Chartered Bank	AA-	1	-	1
State Street Bank London	A+	5,057	-	5,057
UBS AG	A	4	-	4
UBS AG London	A	1	-	1
Westpac Banking Corporation	AA-	7	-	7
Total Derivatives in Asset Position		**$5,956**	**$5,907**	**$11,863**

Interest Rate Risk: Derivatives

At December 31, 2013, OCERS is exposed to interest rate risk on its investments in various swap arrangements based on daily interest rates for LIBOR (London Interbank Offered Rate), EURIBOR (Euro Interbank Offered Rate), FRCPX (France Consumer Price Index: excluding tobacco), Australian reference rate, Brazilian reference rate, federal funds rate and Mexican swap rate. The following table illustrates the maturity periods of these investments.

Notes to the Basic Financial Statements

Note 3 - Investments (Continued)

Interest Rate Risk Schedules for Derivative Instruments

As of December 31, 2013

(Dollars in Thousands)

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More than 10
Credit Default Swaps Bought	$361	$(3)	$(301)	$157	$508
Credit Default Swaps Written	434	-	437	-	(3)
Pay Fixed Interest Rate Swaps	4,409	-	-	(161)	4,570
Receive Fixed Interest Rate Swaps	290	-	466	(176)	-
Total Return Swaps Bond	3	7	(4)	-	-
Total Return Swaps Equity	(205)	(205)	-	-	-
Total	**$5,292**	**$(201)**	**$598**	**$(180)**	**$5,075**

Derivative Instruments Highly Sensitive to Interest Rate Changes:

Investment Type	Receive Rate	Payable Rate	Fair Value	Notional
Pay Fixed Interest Rate Swaps	Variable 3-month LIBOR	Fixed 2.75%-3.50%	$4,587	$31,400
Pay Fixed Interest Rate Swaps	Variable 6-month LIBOR	Fixed 1.00%-3.50%	(181)	20,810
Pay Fixed Interest Rate Swaps	Variable 6-month EURIBOR	Fixed 2.75%	3	2,618
Receive Fixed Interest Rate Swaps	Fixed 3.75%-4.00%	Variable 6-month BBSW	(8)	10,378
Receive Fixed Interest Rate Swaps	Fixed 8.18%-12.255%	Variable 0-month BRCDI	(100)	2,204
Receive Fixed Interest Rate Swaps	Fixed 8.20%-10.91%	Variable 0-month CETIP	(298)	13,351
Receive Fixed Interest Rate Swaps	Fixed 1.00%	Variable 0-month FFED	(47)	3,400
Receive Fixed Interest Rate Swaps	Fixed 2.1075%	Variable 12-month FRCPX	7	276
Receive Fixed Interest Rate Swaps	Fixed 1.50%-3.00%	Variable 3-month LIBOR	680	111,000
Receive Fixed Interest Rate Swaps	Fixed 2.00%	Variable 6-month LIBOR	(67)	5,300
Receive Fixed Interest Rate Swaps	Fixed 5.50%- 6.35%	Variable 1-month TIIE	120	18,935
Receive Fixed Interest Rate Swaps	Fixed 5.50%	Variable 9-month TIIE	3	153
Total Interest Rate Swaps			**$4,699**	

Notes to the Basic Financial Statements

Note 3 - Investments (Continued)

Foreign Currency Risk: Derivatives

At December 31, 2013, OCERS is exposed to foreign currency risk on investments in swaps and forward currency contracts denominated in foreign currencies that may be adversely affected by changes in the currency exchange rates.

Foreign Currency Risk Schedule for Derivative Instruments

As of December 31, 2013
(Dollars in Thousands)

		Currency Forward Contracts			
Currency Name	**Options**	**Net Receivables**	**Net Payables**	**Swaps**	**Total Exposure**
Australian Dollar	$ -	$(366)	$2,374	$(8)	$2,000
Brazilian Real	-	(17)	8	(397)	(406)
Canadian Dollar	-	(148)	-	-	(148)
Danish Krone	-	2	-	-	2
Euro Currency	(12)	234	(1,040)	(486)	(1,304)
Hong Kong Dollar	-	-	1	-	1
Israeli Shekel	-	9	-	-	9
Japanese Yen	-	(447)	3,026	(161)	2,418
Mexican Peso	-	-	30	123	153
New Zealand Dollar	-	7	(13)	-	(6)
Norwegian Krone	-	48	(14)	-	34
Polish Zloty	-	9	(143)	-	(134)
Pound Sterling	(51)	38	(917)	(87)	(1,017)
Singapore Dollar	-	(20)	-	-	(20)
South Korean Won	-	6	4	-	10
Swedish Krona	-	9	(48)	-	(39)
Swiss Franc	-	39	(20)	-	19
Total	**$(63)**	**$(597)**	**$3,248**	**$(1,016)**	**$1,572**

Securities Lending

OCERS is authorized by investment policy and state law to lend its investment securities including domestic and international equities and fixed income to broker/dealers in exchange for collateral in the form of either cash or securities. Lent domestic and international securities are collateralized with an initial market value of not less than 102%, of fair value of the loaned securities. The lending agent receives cash and non-cash collateral for the securities on loan. There are no restrictions on the amount of securities that can be lent at one time. State Street Bank serves, in accordance with a Securities Lending Authorization Agreement, as OCERS's agent to loan domestic and international securities. State Street Bank does not have the ability to pledge or sell collateral securities delivered absent a borrow default.

Cash collateral received on loaned securities is invested together with the cash collateral of other qualified tax-exempt investors in a collective investment fund managed by State Street. The collective investment fund is not rated. In December 2010 the collective investment fund was divided into separate investment pools: 1) a liquidity pool and 2) a duration pool. As of December 31, 2013, the liquidity pool had an average life-final maturity of 90.7 days and a weighted average maturity (WAM) of 41.1 days. The duration pool had an average life-final maturity of 1,976.2 days and a WAM of 41 days. Because loans are terminable at will, the duration of the loans did not

Note 3 - Investments (Continued)

generally match the duration of the investments made with the cash collateral. The Securities Lending Agreement requires State Street to indemnify OCERS if the broker/dealer fails to return any borrowed securities. During 2013, there were no failures to return loaned securities or to pay distributions by the borrowers. Furthermore, there were no losses due to borrower defaults. The fair market value of securities on loan and the total cash and non-cash collateral held as of December 31, 2013 was $298.6 million and $305.5 million, respectively. The following table shows fair values of securities on loan and cash collateral received by asset class:

Securities on Loan

As of December 31, 2013

(Dollars in Thousands)

Security Lent for Cash Collateral	Fair Value of OCERS's Security Lent	Cash Collateral Received	Non-Cash Collateral Received	Total Collateral Received
Domestic Corporate Fixed Income and Equity	$131,440	$133,669	$138	$133,807
U.S. Government Fixed Income	113,146	115,603	-	115,603
International Equity	33,696	35,413	-	35,413
International Fixed Income	20,325	20,654	-	20,654
Total	**$298,607**	**$305,339**	**$138**	**$305,477**

Note 4 - Funding Policy - Pension Plan

Employer and employee/member pension plan contribution requirements are determined as a percentage of plan sponsor payrolls. In determining contributions, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. The projected total pensionable compensation for all OCERS's plan sponsors for the year ending December 31, 2013 was $1.6 billion. Employer contribution rates are determined using the entry age normal actuarial cost method based upon a level percentage of payroll. The employer contributions provide for both normal cost and an amount to amortize any unfunded or overfunded actuarial accrued liabilities. By definition, the normal cost is the annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement benefit if all underlying assumptions are met. The actuarial report as of December 2010 established the contribution rates for fiscal year 2012-2013, and the actuarial valuation report as of December 2011 established the contribution rates for fiscal year 2013-2014. For the year ending December 31, 2013, employer contribution rates ranged from 18.94% of payroll to 50.86% depending upon the benefit plan type. Employer contributions were $427.1 million for the year ended December 31, 2013 of which approximately $303.2 million and $56 million were made by the County of Orange and the Orange County Fire Authority, respectively. Participating employers are required by Government Code sections 31453.5 and 31454 to contribute a percentage of covered salary to the Plan. The contribution requirements of participating active members and employers are established and may be amended by the OCERS's Board of Retirement. Participating employers may pay a portion of the participating active employees' contributions through negotiations and bargaining agreements.

Employee contributions are established by the OCERS's Board of Retirement and guided by state statute (Government Code sections 31621, 31621.5, 31621.8, 31639.25 and 31639.5) and vary based upon employee age at the time of entering OCERS membership. OCERS received $209.3 million in employee contributions for the year ended December 31, 2013. Employee contribution rates for the year ended December 31, 2013 ranged between 7.88% and 13.66%.

Notes to the Basic Financial Statements

Note 5 – Funding Policy - Health Care Plans

County of Orange Plan: Information pertaining to the funding policy of the County of Orange Retiree Medical Plan is included in the County's publicly available financial report and can be obtained from the County of Orange at 12 Civic Center Plaza, Santa Ana, California 92702 or their website at http://ac.ocgov.com/.

Orange County Fire Authority Plan: Current, active employees received pay increases pursuant to collective bargaining agreements in order to contribute 4% of pay to the OCFA for post-employment (retirement) coverage. OCERS classifies plan contributions as being employer made due to the collective bargaining arrangement. The OCFA periodically remits plan contributions to the OCERS administered trust in amounts authorized by the OCFA Board of Directors. Contributions totaled $18.3 million for the year ending December 31, 2013, including a transfer of $15.4 million from the OCFA OPEB 115 Agency Fund to the OCFA Health Care Fund as more fully described in Note 1 – Plan Descriptions.

Note 6 – Plan Reserves

Employer and employee contributions are deposited into various legally-required reserve accounts established on a book value basis. Set forth below are the descriptions of OCERS's various reserve accounts:

- **Pension Reserve** - Pension reserve represents funding set aside for retirement payments derived from employer contributions. Additions include transfers from the employer contribution reserve and interest credited. Deductions include benefit payments made to retired members.
- **Employee Contribution Reserve** - Employee contribution reserve represents the balance of member contributions. Additions include member contributions and interest credited. Deductions include member refunds and transfers to the annuity reserve to fund retirement benefits.
- **Employer Contribution Reserve** - Employer contribution reserve represents the balance of employer contributions for future active member retirement benefits. Additions include employer contributions. Deductions include transfers to the pension reserves in order to fund retirement benefits, disability benefits and death benefits.
- **Annuity Reserve** - Annuity reserve represents funding set aside for retirement payments derived from contributions made by members. Additions include transfers from the employee contribution reserve and interest credited. Deductions include benefit payments made to retired members.
- **Health Care Plan Reserves** - Health care plan reserves represent assets held to pay medical benefits for eligible retirees of the 401(h) health care plans. Additions include employer contributions and investment earnings. Deductions include medical payments.
- **County Investment Account (POB Proceeds) Reserve** - County investment account (POB Proceeds) reserve represents the remaining proceeds from the County of Orange's 1994 Pension Obligation Bond issuance. The remaining proceeds are utilized, in accordance with a long standing agreement between OCERS and the County of Orange, to offset a portion of the annual actuarially-determined contribution rate for the County of Orange. In 2013, $5 million of the remaining proceeds were utilized to offset the actuarially determined contributions for the County of Orange.

Notes to the Basic Financial Statements

Note 6 – Plan Reserves (Continued)

- **Unclaimed Fund Reserve** - Unclaimed fund reserve represents contributions from terminated non-vested members who left employment prior to December 31, 2002 and whose funds remain on deposit with OCERS.
- **Contra Account** - Represents the amount of interest credited to the reserve accounts that has not been paid for out of current or excess earnings. A balance in this account is the result of applying the full interest crediting policy of the Board and will be replenished in subsequent periods as sufficient earnings allow.

Total Fund Reserves

As of December 31, 2013

(Dollars in Thousands)

Pension Reserve	$6,770,671
Employee Contribution Reserve	2,295,362
Employer Contribution Reserve	1,243,438
Annuity Reserve	872,927
Health Care Plan Reserve	189,943
County Investment Account (POB Proceeds) Reserve	109,254
Unclaimed Fund Reserve	123
Contra Account	(470,457)
Net Position - Total Fund	**$11,011,261**

Note 7 – Administrative Expenses - Pension

As permitted by Government Code (Code) Section 31580.2, the Board of Retirement adopts an annual budget, financed from the System's assets, covering the entire expenses for the administration of OCERS. The Code provides that administrative expenses incurred in any year are to be charged against the earnings of the pension trust fund and are not to exceed twenty-one hundredths of one percent (0.21%) of OCERS's actuarial accrued liabilities, excluding investment related costs and expenditures for computer software, hardware and related technology consulting services. Administrative expenses incurred in calendar year 2013 were within the limits established by the Code. The administrative budget for the year ending December 31, 2013 is as follows:

2013 Administrative Expense Compared to Actuarial Accrued Liability

(Dollars in Thousands)

Actuarial Accrued Liability (AAL) as of 12/31/13	$15,785,042
Maximum Allowed For Administrative Expense (AAL * 0.21%)	33,149
Actual Administrative Expense[1]	11,263
Excess of Allowed Over Actual Expense	**$21,886**
Actual Administrative Expense as a Percentage of Actuarial Accrued Liability	0.07%

[1]Administative Expense Reconciliation

Administrative Expense per Statement of Changes in Net Position	$15,025
Less: Administrative Expense Not Considered per CERL Section 31596.1	3,762
Administrative Expense Allowable Under CERL Section 31580.2	**$11,263**

Notes to the Basic Financial Statements

Note 8 – Commitments

At December 31, 2013, OCERS had outstanding commitments of $1.2 billion to various limited partnerships investment portfolios. The following table details, by asset class, the unfunded commitments:

Unfunded Commitments

(Dollars in Thousands)

Asset Class	
Private Equity*	$1,141,407
Real Estate	58,108
Total	**$1,199,515**

* Private equity does not include inactive funds.

Note 9 – Contingencies

At December 31, 2013, OCERS was involved in various litigation matters. In management's opinion, and after consultation with legal counsel, the outcome of these matters is not expected to have a material adverse effect on OCERS's financial position.

Note 10 – Pension Disclosures

The Schedule of Funding Progress presented in the Required Supplementary Information shows the trend information regarding the pension plan's valuation value of assets, actuarial accrued liabilities, unfunded actuarial accrued liabilities and funding status on a multi-year basis.

(Dollars in Thousands)

Actuarial Valuation Date December 31	Valuation Value of Assets*	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2013	$10,417,125	$15,785,042	$5,367,917	65.99%	$1,604,496	334.55%

* The valuation value of assets is the actuarial valuation of assets reduced by the value of non-valuation reserves in the amount of $215,000.

The following summarizes the actuarial assumptions and methods used in the most recent actuarial valuation of December 31, 2013, and the December 31, 2011 and 2010 valuations, which were used to determine 2013 contributions.

Note 10 - Pension Disclosures (Continued)

Actuarial Information:	2013	2011	2010
Valuation Date	December 31, 2013	December 31, 2011	December 31, 2010
Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining Amortization Period	Outstanding balance of December 31, 2012 UAAL combined and reamortized over 20 years closed (declining)	23 years closed (declining)	24 years closed (declining)
Asset Valuation Method	Market Value of Assets less unrecognized returns in each of last five years	Market Value of Assets less unrecognized returns in each of last five years	Market Value of Assets less unrecognized returns in each of last five years

Actuarial Assumptions:	2013	2011	2010
Investment Rate of Return	7.25%	7.75%	7.75%
Inflation Rate	3.25%	3.50%	3.50%
Projected Salary Increases	4.75% to 13.75% for General members; 4.75% to 17.75% for Safety members based upon service	4.75% to 13.75% for General members; 4.75% to 17.75% for Safety members based upon service	4.50% to 11.50% for General members; 4.50% to 13.50% for Safety members based upon service

Highlights of the December 31, 2013 valuation include:

- The funded ratio of pension plan valuation value of assets to actuarial accrued liabilities increased from 62.52% to 65.99%.
- The UAAL decreased from $5.7 billion to $5.4 billion at December 31, 2013 primarily due to higher than expected investment return (after smoothing) and lower than expected salary increases.
- The aggregate employer contribution rate for the period July 1, 2015 to June 30, 2016 will decrease from 39.21% of payroll to 39.05% of payroll due to combining and re-amortizing the outstanding balance of the December 31, 2012 UAAL over a single 20-year period, a favorable investment return (after smoothing), lower than expected individual salary increases and growth in total payroll and other experience losses. The 39.21% rate was calculated after applying the two-year phase-in of the impact of the change in the economic assumptions on the employer's rates in the last valuation, which would have been 41.51% of payroll without the phase-in.
- The aggregate employee contribution rate for the period July 1, 2015 to June 30, 2016 will increase from 12.75% of payroll to 12.77% of payroll due to changes in member demographics.
- New OCTA employees hired on or after January 1, 2013 who were previously assumed to enroll in Plan U (PEPRA – General 2.5% @ 67) are now enrolled instead in Plan B (1.67% @ 57.5).
- At the recommendation of the OCERS's actuary, OCERS has decided to use the discretion made recently available by AB1380 to no longer round the member's contribution rate to the nearest 0.25% as previously required by PEPRA. This should allow for exactly one-half of the normal cost to be paid (each) by the employees and employers covered under the PEPRA plans (i.e., Plans T, U and V).
- As of December 31, 2013, the total net unrecognized investment gains to be recognized in future valuation periods totaled $262.2 million compared to a net unrecognized gain of $97.5 million as of December 31, 2012. This deferred investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years and will help offset any investment losses that may occur after December 31, 2013. The deferred gains will be recognized over the next four years, along with future gains and losses that will occur if the assumed rate of investment return of 7.25% per year (net of expenses) on a market value basis is not earned. The deferred gains of $262.2 million represent about 2% of the market value of assets. If these deferred investment gains were recognized immediately in the actuarial value of assets, the funded percentage would increase from 66.0% to 67.7% and the aggregate employer rate would decrease from 39.05% to about 37.8% of payroll.

Notes to the Basic Financial Statements

Note 11 – Health Care Plan Disclosures

The Schedule of Funding Progress presented in the Required Supplementary Information shows the trend information regarding the OCFA Health Care plan's actuarial value of assets, liabilities and funding status on a multi-year basis.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective.

Orange County Fire Authority Health Care Plan

(Dollars in Thousands)

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2012	$28,910	$156,623	$127,713	18.46%	$75,432	169.31%

Actuarial Information:	2012
Valuation Date	July 1, 2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level-Dollar Basis
Remaining Amortization Period	24 years closed (declining)
Asset Valuation Method	Market Value

Actuarial Assumptions:	2012
Investment Rate of Return	5.50%
Inflation Rate	3.50%
Projected Salary Increases	N/A, amortization method is based on level-dollar payment
Medical Cost Trend Rate	7.25% trending down to 5% over 5 years

Highlights of the July 1, 2012 valuation include:

- The 5.50% discount rate reflects a blended discount rate as OCFA is currently partially funding the annual required contribution. The blended rate reflects a short-term rate of approximately 4% and a long-term expected rate of return of invested assets of 7.75%.
- The valuation reflects several assumption changes, including an update to the mortality and turnover tables, as well as changes to the spouse participation assumption to reflect actual experience.
- The inflation rate is 3.50% based on recommendations from the actuary.

Notes to the Basic Financial Statements

Note 12 – Future Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

On June 25, 2012, GASB approved Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 67 addresses reporting by pension plans that administer benefits for governments, and is effective for financial statements for periods beginning after June 15, 2013. Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees, is effective for fiscal years beginning after June 15, 2014.

Key changes include:

- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA- or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The System will be subject to the provisions of Statement No. 67 beginning with the fiscal year ending December 31, 2014. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. In addition, it requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

Section II

Financial: Required Supplementary Information

A Legacy of Service

Orange County Parks

Orange County Parks

Orange County Parks encompasses regional, wilderness and historical facilities, as well as coastal areas throughout the County of Orange. Featuring 60,000 acres of parkland, open space and shoreline, Orange County's wonderful parks and outstanding programs are enjoyed by millions of residents and visitors each year. OC Parks' facilities offer something for just about everyone, whether for recreation, enjoying nature or learning about the history of Orange County.

Schedule of Funding Progress – Pension Plan

(Dollars in Thousands)

Actuarial Valuation Date December 31	Valuation Value of Assets*	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	$7,748,380	$10,860,715	$3,112,335	71.34%	$1,569,764	198.27%
2009	8,154,687	11,858,578	3,703,891	68.77%	1,618,491	228.85%
2010	8,672,592	12,425,873	3,753,281	69.79%	1,579,239	237.66%
2011	9,064,355	13,522,978	4,458,623	67.03%	1,619,474	275.31%
2012	9,469,208	15,144,888	5,675,680	62.52%	1,609,600	352.55%
2013	10,417,125	15,785,042	5,367,917	65.99%	1,604,496	334.55%

* The valuation value of assets is the actuarial valuation of assets reduced by the value of non valuation reserves.

Schedule of Employer Contributions – Pension Plan

(Dollars in Thousands)

Plan Year Ended December 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2008	$359,673	$360,365	100.2%**
2009	337,496	338,387	100.3%**
2010	372,437	372,437	100.0%
2011	387,585	387,585	100.0%
2012	406,521***	406,521	100.0%
2013	426,020	427,095	100.3%**

** The OCFA made additional contributions towards reducing their UAAL.

*** Actuarial contributions based on preliminary estimates and differ slightly from amounts reported in Statement of Changes in Fiduciary Net Position.

Schedule of Funding Progress – OPEB Orange County Fire Authority

(Dollars in Thousands)

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2008	$21,525	$94,125	$72,600	22.87%	$80,624	90.05%
2010	21,550	147,710	126,160	14.59%	81,391	155.00%
2012	28,910	156,623	127,713	18.46%	75,432	169.31%

Schedule of Employer Contributions – OPEB Orange County Fire Authority

(Dollars in Thousands)

Plan Year Ended June 30	Annual Required Contributions	Percentage Contributed
2008	$6,530	54.00%
2010	8,878	50.42%
2012	13,520	33.71%

Significant Factors Affecting Trends in Actuarial Information

2013 Changes in Pension Plan Provisions and Actuarial Assumptions

- The outstanding balance of the December 31, 2012 UAAL was combined and re-amortized over a 20-year period.

2012 Changes in Pension and OPEB Plan Provisions and Actuarial Assumptions

- Changes in investment return, inflation, and across the board salary increase assumptions in the December 31, 2012 review of economic assumptions report increased the pension plan UAAL by $935 million.
- With the exception of OCTA, members with membership date on or after January 1, 2013 will be placed in CalPEPRA tiers (1.62% of final average salary at age 65, 2.50% of final average salary at age 67 and 2.70% of final average salary at age 57).
- The July 1, 2012 OPEB: OCFA highlights include the following:
    - The 5.50% discount rate reflects a blended discount rate as OCFA is currently partially funding the annual required contribution. The blended rate reflects a short-term rate of approximately 4% and a long-term expected rate of return of invested assets of 7.75%.
    - The inflation rate is 3.50% based on recommendations from the actuary.
    - The valuation reflects several assumption changes including an update to the mortality and turnover tables, as well as changes to the spouse participation assumption to reflect actual experience.

2011 Changes in Pension Plan Provisions and Actuarial Assumptions

- Changes in mortality, disability, termination, retirement, salary scale, and annual pay-off assumptions in the December 31, 2010 triennial experience study increased the pension plan UAAL by $364 million.
- Effective April 20, 2012, certain employees previously employed at the City of Santa Ana became employees of OCFA General and OCFA Safety and are eligible for benefits under Plan N (2% at 55) and Plan F (3% at 50), respectively.
- Effective July 1, 2012, new General employees hired by the City of San Juan Capistrano will be covered under General Plan S (2% at 57).

Significant Factors Affecting Trends in Actuarial Information

(Continued)

2010 Changes in Pension and OPEB Plan Provisions and Actuarial Assumptions

- LAFCO adopted an optional 1.62% of final average salary at age 65 for members hired on or after July 1, 2010.
- County Managers unit adopted an optional 1.62% of final average salary at age 65 for members hired on or after August 17, 2010.
- Sanitation District adopted a 1.64% of final average salary at age 57 for members within Supervisors and Professional unit hired on or after October 1, 2010.
- OCFA adopted a 3.00% of final average salary at age 55 for Safety members within the Executive Management unit hired on or after July 1, 2011 and for all Safety members hired on or after July 1, 2012.
- OCFA adopted a 2.00% of final average salary at age 55 for General members hired on or after July 1, 2011.
- In the prior OPEB: Orange County Fire Authority valuation, 100% of the ARC was funded and the discount rate was set equal to the long-term investment return expected to be earned by the plan assets.
- In 2009 and 2010, OPEB: Orange County Fire Authority contributions represented 48% and 50% of the ARC (calculated at 7.75% discount rate), respectively. For this valuation, the discount rate is based on a partially funded plan. The discount rate is a blended rate that reflects the proportionate amounts of plan and employer assets expected to be used.
- OPEB: Orange County Fire Authority discount rate was lowered from 7.75% to 5.50% to reflect the fact that the plan is partially funded. The change in the discount rate increased the UAAL by $44 million.

2009 Changes in Pension Plan Provisions and Actuarial Assumptions

- Adjustments to correct the under-reporting of certain premium pay items in prior years' pensionable salary data resulted in a $228 million increase in UAAL.
- County and the Courts adopted optional 1.62% at 65 formula for General Member Employees entering OCERS after May 7, 2010.
- County Law Enforcement Members adopted 3% at 55 formula for Safety Members entering OCERS after April 9, 2010.

2008 Changes in Pension Plan Provisions and Actuarial Assumptions

- Individual salary increase assumptions are changed from age based to service based.
- Annual leave payoff assumptions were increased for General Members.
- Changes in service retirement rates for General members with improved benefit formulas increased the UAAL by $116 million.

Financial: Other Supplemental Information

A Legacy of Service

Orange County Transportation Authority

Orange County Transportation Authority

Orange County Transportation Authority (better known as OCTA) is Orange County's primary transportation agency. Formed in 1991 through the consolidation of seven separate transportation agencies, OCTA's long-time vision is to create an integrated and balanced transportation system that supports the diverse travel needs and reflects the character of Orange County. OCTA services include bus transit service, metrolink rail service, rideshare options, vanpool subsidies, a freeway service patrol and more.

Schedule of Administrative Expenses

For the Year Ended December 31, 2013
(Dollars in Thousands)

Pension Trust Fund Administrative Expenses

Expenses Subject to the Statutory Limit	
Personnel Services	
Employee Salaries and Benefits	$7,772
Board Members' Allowance	14
Total Personnel Services	7,786
Office Operating Expenses	
Professional Services	1,323
Operating Expenses	1,365
Rent/Leased Real Property	664
Depreciation/Amortization	125
Total Office Operating Expenses	3,477
Total Expenses Subject to the Statutory Limit	**11,263**
Expenses Not Subject to the Statutory Limit	
Investment Department Expenses	1,230
Consulting/Research Fees	940
Legal Costs	799
Actuarial Fees	442
Custodian Services	300
Investment Service Providers	50
Commingled Interest	1
Total Expenses Not Subject to the Statutory Limit	**3,762**
Total Pension Trust Fund Administrative Expenses	**15,025**
Health Care Fund - County Administrative Expenses	20
Health Care Fund - OCFA Administrative Expenses	14
Total Administrative Expenses	**$15,059**

Schedule of Investment Expenses

For the Year Ended December 31, 2013
(Dollars in Thousands)

Investment Management Fees	
International Equity Securities	$5,812
Real Return	5,650
Absolute Return	5,287
Real Estate	3,938
Domestic Fixed Income	2,857
Domestic Equity Securities	2,325
Emerging Markets Equity	2,312
Global Equity Securities	942
International Fixed Income	871
Private Equity	250
Diversified Credit	45
Total Investment Management Fees	**30,289**
Foreign Income Tax Expense/Other	**8,986**
Security Lending Activity	
Security Lending Fees	373
Rebate Fees	164
Total Security Lending Activity	**537**
Total Investment Expenses	**$39,812**

Schedule of Payments for Professional Services

For the Year Ended December 31, 2013
(Dollars in Thousands)

Type of Services*

Professional Expenses Subject to the Statutory Limit	
Professional Services	$1,135
Legal Services	188
Total Professional Expenses Subject to the Statutory Limit	**1,323**
Professional Expenses Not Subject to the Statutory Limit	
Consulting/Research Services	940
Legal Services	799
Actuarial Services	442
Custodian Services	300
Investment Service Providers	50
Commingled Interest Cost	1
Total Professional Expenses Not Subject to the Statutory Limit	**2,532**
Total Payments for Professional Expenses	**$3,855**

*Detail for fees paid to investment professionals is presented in the Investment Section

Statement of Changes in Assets and Liabilities - OPEB Agency Fund

For the Year Ended December 31, 2013
(Dollars in Thousands)

	Beginning Balance December 31, 2012	Additions	Deductions	Ending Balance December 31, 2013
Assets				
Cash and Cash Equivalents	$ 35	$ 829	$ 798	$ 66
Domestic Equity Securities	10,038	3,594	7,410	6,222
International Equity Securities	4,715	1,422	3,460	2,677
Domestic Fixed Income	10,086	340	6,228	4,198
Total Assets	**$24,874**	**$6,185**	**$17,896**	**$13,163**
Liabilities				
Due to Employers	$24,874	$6,185	$17,896	$13,163
Total Liabilities	**$24,874**	**$6,185**	**$17,896**	**$13,163**


Section III
Investment
A Legacy of Service
Orange County
Sanitation District

Orange County Sanitation District

The Orange County Sanitation District (OCSD) is the fifth largest wastewater agency in the country. The agency collects, and treats, wastewater for the 2.5 million residents in central and northern Orange County. OCSD has two treatment plants, 15 pump stations, and close to 600 miles of sewers throughout the 21 cities, three special districts, and unincorporated parts of the county that the agency serves. OCSD is continuously exploring ways to be better environmental stewards while protecting the public health and environment.

Investment Consultant's Statement

NEPC, LLC

ALLAN MARTIN
PARTNER

April 3, 2014

Board of Retirement
Orange County Employees Retirement System
2223 Wellington Avenue
Santa Ana, California 92701-3101

Dear Board Members:

This letter reviews the investment performance of the Orange County Employees Retirement System (OCERS) for the year ended December 31, 2013.

The primary objective of OCERS is to prudently and expertly invest the System's assets, to ensure the System's ability to pay promised benefits to participants and their beneficiaries, consistent with governing law and best industry practices. In pursuit of this objective, OCERS's Board periodically evaluates the System's liabilities, expected contributions and potential investment returns from differing investment allocations. The Board selects a strategic policy mix that best balances growth potential and acceptable risk. A policy benchmark index is constructed to mirror the system's strategic asset allocation policy. This policy benchmark is used to evaluate the performance of the Fund, and the contribution of managers employed by the Fund.

The System's custodian, State Street Bank and Trust Company, independently prepared the underlying performance data used in this report. The performance calculations were made in compliance with industry performance calculation standards NEPC, LLC serves as OCERS's independent investment consultant and evaluates the performance of the fund in relation to the System's performance objectives, market benchmarks, and appropriate peer groups of other public pension funds.

The Markets and the Economy

Global Stock markets rebounded in 2013 despite the headline risks related to the European debt crisis, the U.S. fiscal cliff, reports of slowing economic growth in China and other emerging markets and trepidation regarding the eventual tapering of the Federal Reserve's quantitative easing program.

In particular, the U.S. Stock market posted a strong 2013. During the year, large company stocks surged more than 30% and small company shares soared close to 39%. In December, the Federal Reserve (The Fed) initiated the much anticipated reduction of monetary stimulus by cutting its monthly bond buying program by $10 billion. With a new target of $75 billion, the Fed has a commitment to maintain lower rates through 2014. The Fed was encouraged to act in December by strong economic reports, with revised third quarter GDP growth that exceeded 4.0%, and reports of unemployment falling below 7%. In this environment, investors favored stocks over bonds and U.S. markets over non-U.S. markets. Although somewhat overshadowed by U.S. stock market results, international equities in developed markets rose for the month of December, led higher by European shares. Rising interest rates in the U.S. brought concerns of capital flight and balance of payments in emerging countries, putting pressure on emerging country stock and bond markets, which continued a pattern of underperformance that was consistent of 2013. Oil prices rose during the

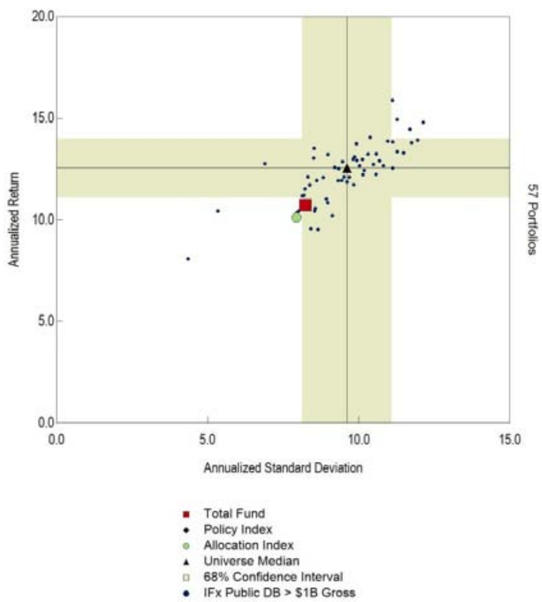
900 Veterans Blvd. | Ste. 340 | Redwood City, CA 94063-1741 | TEL: 650.364.7000 | www.nepc.com
CAMBRIDGE | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO

month of December in commodities markets. Gold continued its descent, posting its first negative year in more than a decade.

The OCERS Portfolio

For the calendar year, OCERS's Total Fund (valued at $11.1 Billion) had a time-weighted rate of return of 10.9% net of fees. This return underperformed the return of the OCERS Policy Index of 11.7%, primarily due to the underperformance of OCERS's inflation-linked and private equity allocations. Over the five and ten year periods ending December 31, 2013, the Fund returned 10.4% per annum and 7.0% per annum respectively. On a gross of fee basis, the Fund's total return ranked in the 84th percentile of a peer group universe for the one year period, in the 86th percentile over five years and in the 35th percentile over ten years. Over the five year period the Fund's relatively conservative equity allocation resulted in substantially less volatility, as measured by the Fund's standard deviation, as shown below. As a result of the lower volatility ranking, the Fund's risk-adjusted performance, as measured by the Sharpe ratio, ranked in the 43rd percentile vs. other large Public Funds.

Total Public Fund Universe
Risk-Return Comparison 5 Year Ending December 31st, 2013



After a broad market rally in 2012-2013, OCERS's 5 year return of 10.4% well exceeded the Fund's actuarial assumed rate of 7.25%. Additionally, over the longer term OCERS's risk-adjusted return is significantly better than its peers, signifying the Fund is being compensated for risks it assumes. By being more diversified, the Fund is better positioned to withstand the potential impact of macro shocks in the future.

Sincerely,

Allan Martin
Partner

Investment Returns

The table below details the annualized rates of return for the different asset categories over various time periods ended December 31, 2013. The returns for each asset class represent the composite returns of all the manager portfolios within the asset class. All returns are gross of fees except for absolute return, diversifed credit, private equity, and real estate, where some of the fees are deducted at source. The method of computation of investment returns is time-weighted approximation.

	1 Year	3 Year	5 Year
Domestic Equity (%)	**33.03**	**15.68**	**18.40**
Russell 3000 Index (%)	*33.55*	*16.24*	*18.71*
Global Equity (%)	**28.80**	**13.33**	**N/A**
MSCI World Index (%)	*26.68*	*11.49*	*N/A*
International Equity (%)	**23.60**	**8.99**	**13.31**
MSCI AC World ex US Index (%)	*15.29*	*5.14*	*12.81*
MSCI EAFE Index (%)	*22.78*	*8.17*	*12.44*
Emerging Markets Equity (%)	**-2.93**	**-2.66**	**15.82**
MSCI EME Index (%)	*-2.60*	*-2.06*	*14.79*
Domestic Fixed (%)	**0.84**	**5.20**	**8.49**
Barclays Capital Universal Index (%)	*-1.35*	*3.79*	*5.41*
International Fixed Income (%)	**-3.86**	**1.24**	**2.94**
International Fixed Income Target Index[1] (%)	*-1.58*	*2.16*	*2.79*
Emerging Markets Debt (%)	**N/A**	**N/A**	**N/A**
Emerging Markets Debt Target Index [2] (%)	*N/A*	*N/A*	*N/A*
Diversified Credit (%)	**9.73**	**15.38**	**25.04**
Diversified Credit Target Index[3] (%)	*6.78*	*7.39*	*16.11*
Absolute Return (%)	**6.77**	**5.89**	**8.22**
Absolute Return Target Index[4] (%)	*5.28*	*5.56*	*5.69*
Real Return (%)	**-2.98**	**4.07**	**6.50**
Real Return Target Index[5] (%)	*6.57*	*8.20*	*8.20*
Short Term Investments (%)	**0.77**	**0.72**	**0.66**
Cash Overlay (%)	**12.39**	**9.22**	**11.08**
91-day Treasury Bill (%)	*0.07*	*0.10*	*0.12*
Real Estate (%)	**11.57**	**11.23**	**4.62**
Real Estate Target Index[6] (%)	*13.06*	*13.29*	*5.35*
Private Equity (%)	**8.54**	**9.23**	**5.78**
Cambridge Private Equity Lagged	*17.19*	*15.54*	*10.59*
Total Fund (%)	**11.14**	**7.93**	**10.72**
Composite Policy Benchmark [7] (%)	***11.73***	***8.31***	***10.21***

(1) Intl Fixed Income Target Index = Citigroup Non-US Government Hedged Index through 3/31/04. Thereafter, the index is 50% Citigroup Non-US World Government Bond Index (50% hedged)

(2) Emerging Markets Debt Target Index = 65% JPMorgan GBI-EM Global Diversified Un-hedged + 35% JPMorgan EM Bond Index

(3) Diversified Credit Target Index = 50% Merrill Lynch HY Constrained + 50% CS Levered Loan

(4) Absolute Return Target Index = 3-month Treasury Bill + 7% through 3/31/08, 3-month Treasury Bill + 5 5/7% through 6/30/10, 3-month Treasury Bill + 5% through 6/30/12 and LIBOR + 5% thereafter

(5) Real Return Target Index = BC US TIPS Index through 2/29/08,60% BC US TIPS Index + 40% (CPI + 5%) through 6/30/12 and CPI + 5% thereafter

(6) Real Estate Target Index = NCREIF Total Index through 9/30/07, 90% NCREIF Total Index + 10% FTSE EPRA/NAREIT Global Real Estate Index through 6/30/12 and 90% NCREF ODCE + 10% NAREIT Developed REITs Index thereafter

(7) Policy Benchmark = 12.0% Russell 1000 Index + 3% Russell 2000 Index + 9.0% MSCI EAFE Index + 4.0% MSCI World Index + 6.0% MSCI Emerging Markets Equity + 2% MSCI EAFE Small Cap Equity + 13.0% BC US Universal Index + 3% Citi Non-US World Government Bond Index (50% hedged) + 3.5% ML HY Constrained + 3.5% CS Leveraged Loan + 13% (3 month LIBOR + 5%) + 10% (CPI + 5%) + 9.0% NCREIF ODCE Index + 1.0% NAREIT Developed REITs Index + 5% Cambridge Private Equity Lagged + 1.95% JPMorgan GBI-EM Global Diversified Un-hedged + 1.05% JPMorgan EM Bond Index

Statement of Investment Objectives and Policies

General

This statement is intended to set forth the factors involved in the management of investment assets for the Orange County Employees Retirement System (the System). The responsibility of the Board (with the participation of its Investment Committee, Staff and Advisors) is to establish broad investment policy, guidelines and objectives for the total fund and its component parts, to select independent investment managers and to monitor the activities of the investment managers. The responsibility of each investment manager is to develop and implement management strategies in accordance with the stated investment policies, guidelines and objectives, in a manner consistent with the "prudent man" rule for similar funds, i.e., with care, skill, prudence and diligence, with full discretion subject to the guidelines and applicable statutes. The investment manager is responsible for administration of the investment program within parameters established.

Strategic Asset Allocation Policy and Maintenance

The Board periodically undertakes strategic asset allocation studies. Such studies define the targeted level of diversification among the various major asset classes and the range in which they are permitted to fluctuate. When significant changes are made to the plan, a transition plan is adopted.

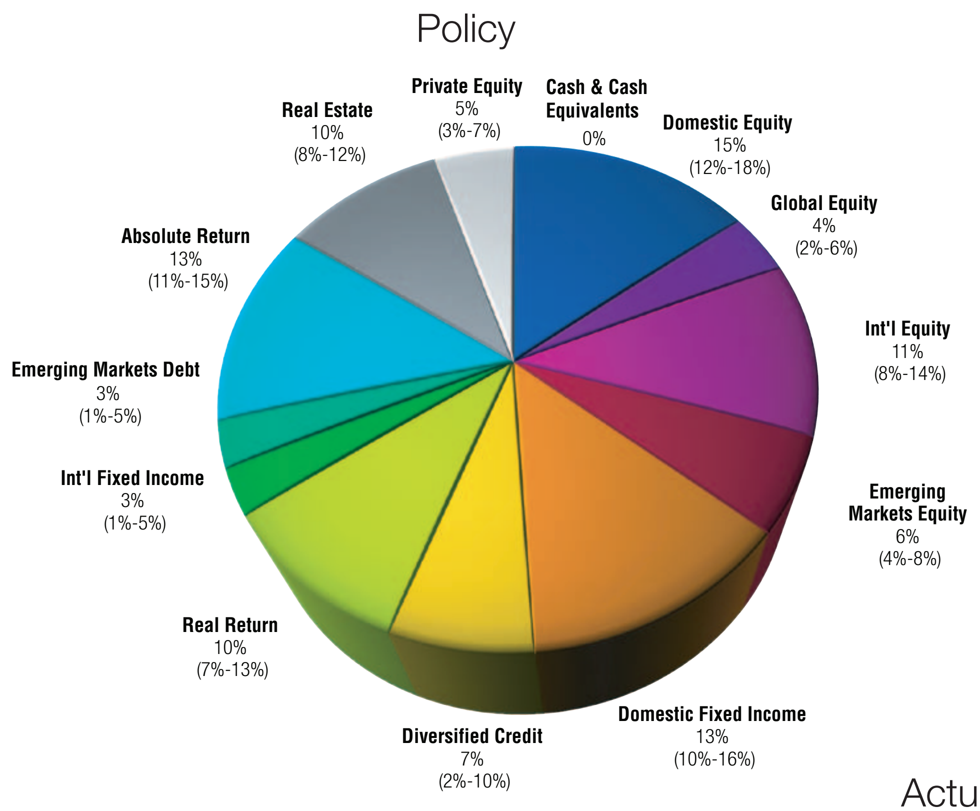
In normal circumstances, asset levels are permitted to fluctuate around targeted levels, and cash inflows are administered by staff in a manner that is consistent with maintenance of the desired level of diversification. When asset fluctuations and/or external cash flows take actual allocation outside the accepted range, cash inflows shall be directed toward the underallocated asset categories and cash outflows shall be directed from the overallocated asset classes.

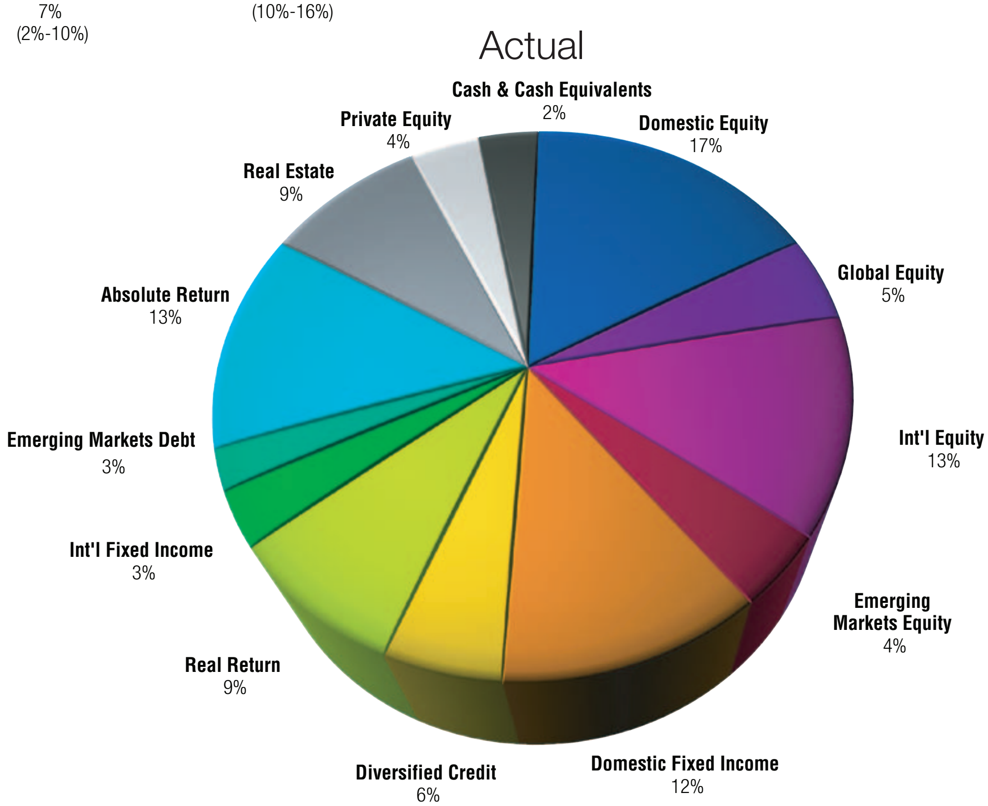
Program Administration and Manager Structure

For each major asset class, the System shall diversify assets by employing managers with demonstrated skill in their particular areas of expertise. The System will retain managers who utilize varied investment approaches and allocate assets in a manner that is consistent with the overall strategic plan. So, for example, the sum of all domestic equity managers should exhibit characteristics that are similar, but not necessarily identical, to the overall equity market. When asset fluctuation causes the asset class to exhibit characteristics that are dissimilar from the plan, staff shall direct cash flows to or from the various managers so that actual characteristics are consistent with the plan.

Asset Diversification

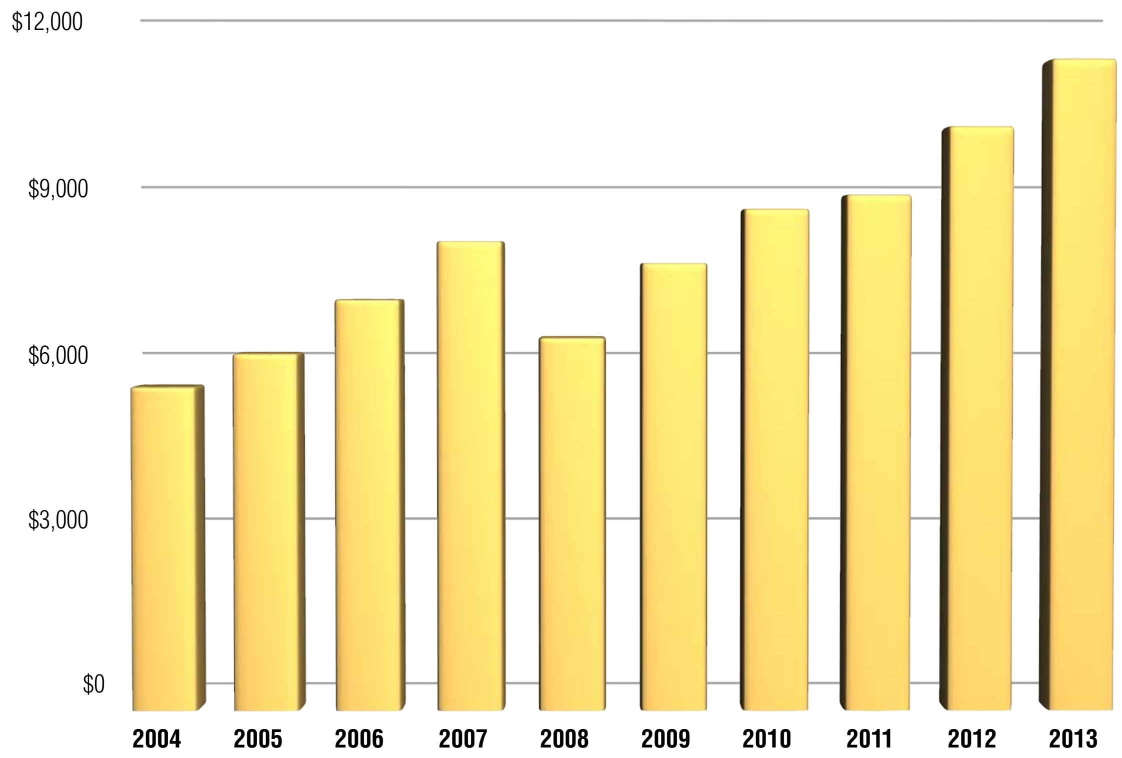
December 31, 2013





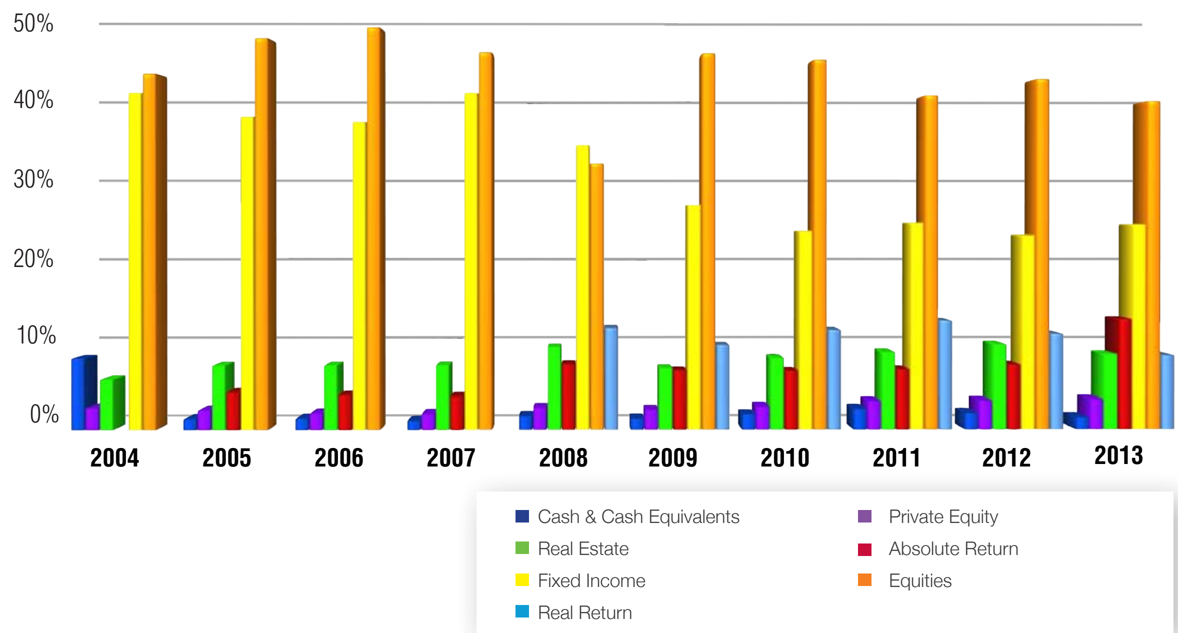
Growth of System Net Assets at Fair Value

for the Ten Years Ended December 31, 2013
(in Millions of Dollars)



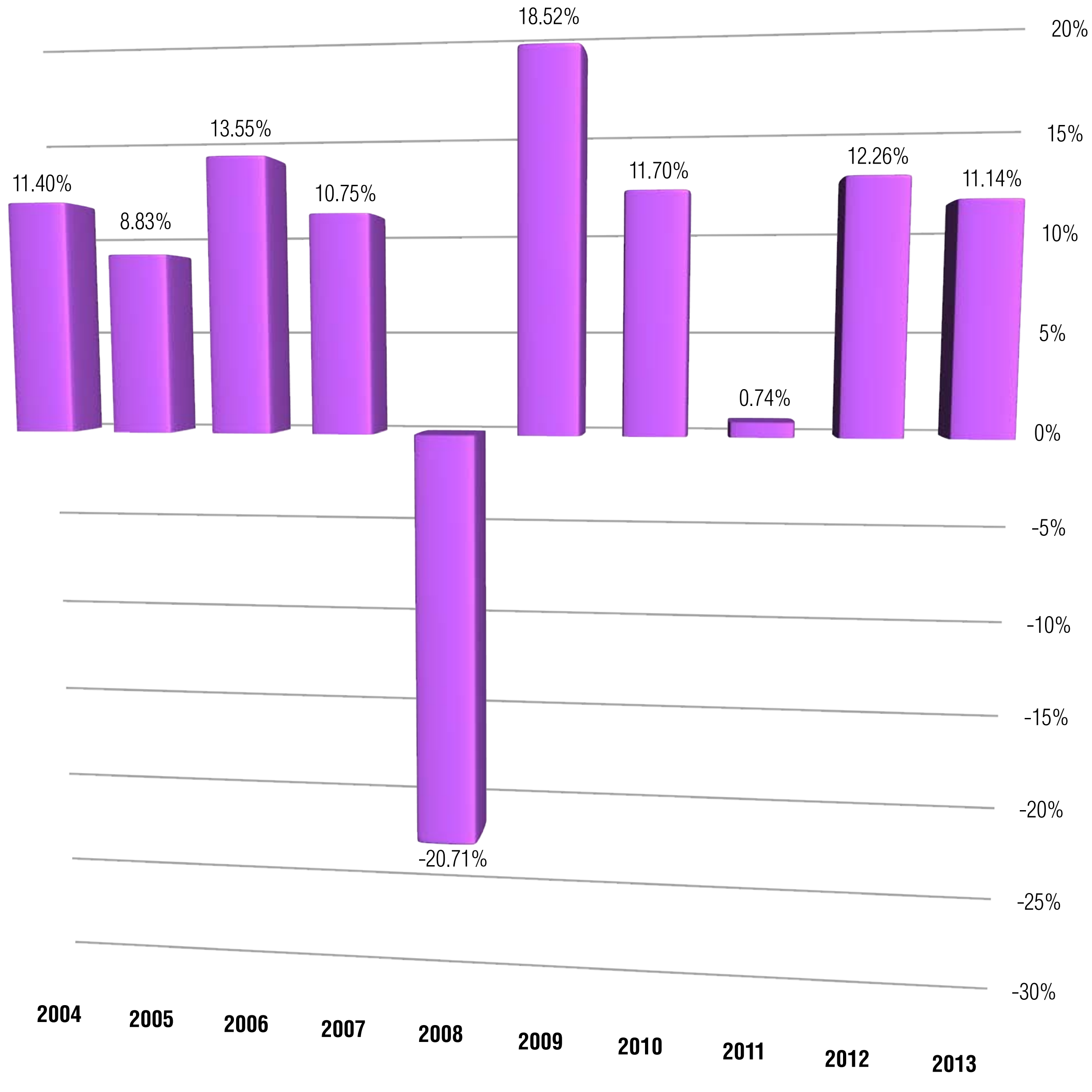
Historical Asset Allocation

December 2004 – December 2013
(Actual)



History of Performance

December 2004 – December 2013
(Actual)



Schedule of Commissions

(Amounts in Thousands)

Broker Name	Number of Shares Traded	Commission
Banco Santander Central Hispano	694	$ 2
Barclays Capital	2,165	34
Bloomberg Tradebook, LLC	1,219	20
Calyon Securities	635	3
Cantor Fitzgerald	894	6
Cenkos Securities, LTD	2,211	3
CIMB Securities	1,788	4
Citigroup Global Markets, Inc.	7,648	33
CLSA Securities	3,521	20
ConvergEx Execution Solutions, LLC	951	18
Credit Suisse Securities	2,286	30
CS First Boston (Hong Kong) Limited	7,941	11
Daiwa Securities	840	5
DBS Vickers Securities (Singapore)	1,506	2
Deutsche Bank	11,798	61
External Swap	1,050	3
Goldman Sachs	9,996	50
Hong Kong And Shanghai Banking Corp	646	1
Instinet	3,939	8
Intermonte Sim S.P.A	1,098	4
Investment Technology Group	6,466	46
J.P. Morgan Securities	3,265	35
LCF Edmond De Rothschild Securities, LTD	759	3
Liberum Capital Limited	1,626	17
Liquidnet	1,164	8
MacQuarie	1,854	14
Merrill Lynch & Company, Inc.	13,197	75
Mizuho Securities, Inc.	1,174	13
Morgan Stanley & Company, Inc.	14,218	59
Pershing, LLC	1,297	15
Raymond James, LTD	7,263	167
Sanford C. Bernstein And Co., LLC	1,529	28
Societe Generale London Branch	2,178	24
UBS	29,947	84
Winterflood Securities LTD	950	5
Other*	13,195	286
Total	**162,908**	**$1,197**

* Other includes approximately 134 additional firms that comprise roughly 24% of total commissions and 8% of the total number of shares traded.

Commission Recapture Program

OCERS implemented a direct brokerage program where investment managers are encouraged to trade with specific brokerage firms for the purpose of reducing trading commissions. The brokerage firms utilized for these services are Abel Noser, Capital Institutional Services, ConvergEx Group, and State Street Bank.

Schedule of Investment Expenses

For the Year Ended December 31, 2013
(Dollars in Thousands)

Investment Management Fees	
International Equity Securities	$5,812
Real Return	5,650
Absolute Return	5,287
Real Estate	3,938
Domestic Fixed Income	2,857
Domestic Equity Securities	2,325
Emerging Markets Equity	2,312
Global Equity Securities	942
International Fixed Income	871
Private Equity	250
Diversified Credit	45
Total Investment Management Fees	**30,289**
Foreign Income Tax Expense/Other	**8,986**
Security Lending Activity	
Security Lending Fees	373
Rebate Fees	164
Total Security Lending Activity	**537**
Total Investment Expenses	**$39,812**

Investment Summary

As of December 31, 2013
(Dollars in Thousands)

Investment	Fair Value	Percentage
Domestic Equity Securities	$1,865,597	18%
International Equity Securities	1,399,948	13%
Global Equity Securities	563,003	5%
Domestic Fixed Income	1,307,730	12%
International Fixed Income	374,466	3%
Real Estate	1,011,157	9%
Diversified Credit	607,201	6%
Emerging Markets Equity	471,019	4%
Emerging Markets Debt	272,359	3%
Real Return	952,894	9%
Absolute Return	1,452,842	14%
Private Equity	442,824	4%
Total*	**$10,721,040**	**100%**

* The table above does not include the fair value of OPEB 115 Agency Funds held by OCERS in an investment capacity.

Schedule of Largest Equity Holdings (by Market Value)[1, 2]

As of December 31, 2013
(Amounts in Thousands)

Common Stock	Shares	Market Value	% of Composite
Roche Holding AG	85	$23,701	0.24%
Novartis AG Reg	178	14,223	0.15%
BNP Paribas	178	13,866	0.14%
Bayer AG Reg	98	13,770	0.14%
Softbank Corp	150	13,165	0.14%
Daimler AG Registered Shares	147	12,749	0.13%
AIA Group LTD	2,275	11,412	0.12%
ASML Holding NV	116	10,898	0.11%
Koninklijke DSM NV	135	10,632	0.11%
Compagnie De Saint Gobain	193	10,607	0.11%

Schedule of Largest Fixed Income Holdings (by Market Value)[1]

As of December 31, 2013
(Amounts in Thousands)

Asset	CPN / Maturity	Market Value	% of Composite
SWU0566V5 IRS USD R F 1.50000	1.5% / 03-18-2016	$ 80,127	0.72%
SWU005K20 IRS USD R F 3.00000	3.0% / 09-21-2017	31,553	0.28%
US TREASURY N/B	1.3% / 11-30-2018	27,205	0.24%
US TREASURY N/B	1.5% / 08-31-2018	20,993	0.19%
FNMA TBA FEB 30YR SINGLE FAM	4.0% / 12-01-2099	19,499	0.18%
FNMA POOL AI4891	4.5% / 06-01-2041	18,850	0.17%
TSY INFL IX N/B	2.4% / 01-15-2027	18,411	0.17%
BWU003AQ3 IRS JPY R V 06MLIBOR	2.2% / 09-18-2023	18,077	0.16%
FNMA TBA SINGLE FAMILY MORTGAGE	4.0% / 12-01-2099	17,499	0.16%
BWU004X94 IRS USD R V 03MLIBOR	2.4% / 12-18-2043	16,500	0.15%

[1] A complete list of portfolio holdings is available for review at the OCERS's office.

[2] The holding schedules pertain to holdings of individual securities; they do not reflect OCERS's investments in commingled funds.

List of Investment Managers

As of December 31, 2013

Domestic Equity
Artisan Partners
BlackRock Institutional Trust Company
Eagle Asset Management

Domestic Fixed Income
BlackRock Institutional Trust Company
Loomis, Sayles & Company
Pacific Investment Management Company

International Equity
AQR Capital Management, LLC
AXA Rosenberg Investment Management, LLC
BlackRock Institutional Trust Company
Capital Guardian Trust Company
Mercator Asset Management
Mondrian Investment Partners, Ltd.
Pyramis Global Advisors

Global Equity
Franklin Templeton Investments
Grantham, Mayo, Van Otterloo & Co LLC
J.P. Morgan Asset Management

International Fixed Income
GAM Holding AG
Mondrian Investment Partners, Ltd.

Diversified Credit
Brigade Capital Management
Capula Investment Management
CQS
Crescent Capital Group
Hayfin Capital Management
Monroe Capital
NXT Capital
OCP Asia
Pacific Investment Management Company
Tennenbaum Capital Partners, LLC
Tricadia Capital Management

Emerging Markets Debt
Bluebay Asset Management
Pictet Asset Management

Emerging Markets Equity
Acadian Asset Management
City of London Investment Management
William Blair & Co.

Cash Overlay
The Clifton Group

Securities Lending Program
State Street Corporation

Absolute Return
Archer Capital Management
Beach Point Capital Management
BlackRock Alternative Advisors
BlueCrest Capital Management
Bridgewater Associates, Inc.
Caspian Capital
D.E Shaw Group
Fore Research & Management
Gotham Asset Management
Grantham, Mayo, Van Otterloo & Co LLC
Highfields Capital
Hoplite Capital Management
OCH-Ziff Capital Management Group
Pacific Alternative Asset Management Company
Perry Capital
Pharo Global Advisors
Pacific Investment Management Company
Standard Life Investments
Venor Capital Management

Real Return
AQR Capital Management, LLC
BTG Pactual Timberland
EIG Global Energy Partners
EnerVest, Ltd
Hancock Agricultural Investment Group
Hancock Timber Resource Group
Kayne Anderson Capital Advisors
Pacific Investment Management Company
Schroder Investment Management
UBS AgriVest LLC
Wellington Management

Real Estate
Domestic
AEW Capital Management
Angelo Gordon & Co.
ASB Capital Management
BlackRock Institutional Trust Company
CB Richard Ellis Investors
Long Wharf Real Estate Partners
KTR Capital Partners
Morgan Stanley

Global Real Estate Securities
LaSalle Investment Management

Private Equity
Managers
Abbott Capital
Adams Street Partners
HarbourVest Partners, LLC
Mesirow Financial Private Equity


T9

Section IV
Actuarial

A Legacy of Service

Orange County Fire Authority

Orange County Fire Authority

The Orange County Fire Authority (OCFA) is a regional fire service agency that serves 23 member cities in Orange County and all unincorporated areas. The OCFA protects more than 1,680,000 residents from more than 70 fire stations located throughout Orange County. Formed in 1995, the OCFA is governed by a Board of Directors that meet regularly to set policy, approve budgets, establish service levels and provide fiscal oversight. OCFA provides a wide range of public services including delivering fire, emergency medical and rescue services, as well as providing public education programs throughout the community.


OCFA
GE COUNTY
AUTHORITY

Actuary's Certification Letter

Orange County Employees Retirement System

Segal Consulting

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

May 23, 2014

Board of Retirement
Orange County Employees Retirement System
2223 Wellington Avenue
Santa Ana, CA 92701-3101

Re: Certification for Pension Plan

Dear Members of the Board:

Segal Consulting (Segal) prepared the December 31, 2013 annual actuarial valuation of the Orange County Employees Retirement System. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. It is our understanding that the methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

The funding method used by the System is called the Entry Age Actuarial Cost Method. The outstanding balance of the December 31, 2012 unfunded actuarial accrued liability (UAAL) has been combined and one of the funding objectives of the System is to reduce that UAAL to zero over a declining period, currently 20 years. Any changes in UAAL due to actuarial gains or losses or due to changes in assumptions or methods will be amortized over separate 20-year periods. Any changes in UAAL due to plan amendments will be amortized over separate 15-year periods and any change in UAAL due to early retirement incentive programs will be amortized over a separate period of up to 5 years. The progress being made toward the realization of the financing objectives through December 31, 2013 is illustrated in the History of Unfunded Actuarial Accrued Liability and the Schedule of Funding Progress.

As part of the December 31, 2013 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations are provided in our valuation report. We did not audit the System's financial statements. For actuarial valuation purposes, Plan assets are valued at actuarial value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the actual and expected return on market value over a five-year period. The development of the actuarial value as of December 31, 2013 is provided in the Development of Actuarial and Valuation Value of Assets.

Actuary's Certification Letter

(Continued)

Board of Retirement
Orange County Employees Retirement System
May 23, 2014
Page 2

A listing of the supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the System's CAFR is as follows:

1. History of Unfunded Actuarial Accrued Liability – for inclusion in Actuarial Section of CAFR;
2. History of Employer Contribution Rates;
3. Summary of Active Membership;
4. Summary of Retired Membership;
5. Development of Actuarial and Valuation Value of Assets;
6. Short-Term Solvency Test;
7. Actuarial Methods and Assumptions;
8. Summary of Major Plan Provisions;
9. Experience Analysis; and
10. Schedule of Funding Progress – for inclusion in Financial Section of CAFR.

The valuation assumptions used in this valuation were included in the Actuarial Section. The results of this valuation were prepared using the actuarial assumptions and methods developed in the triennial experience study as of December 31, 2010 and the economic assumptions study prepared in conjunction with the December 31, 2012 valuation. All of the assumptions recommended in those studies were adopted by the Board. Actuarial valuations are performed on an annual basis. With the exception of the out-of-cycle review of the investment return assumption just discussed, an experience analysis is performed every three years. The next experience analysis is due to be performed as of December 31, 2013 and any changes in assumptions that result will be reflected in the December 31, 2014 valuation.

In the December 31, 2013 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities increased from 62.52% to 65.99%. The aggregate employer rate (average of the County and all special districts rates combined) has changed from 39.21% of payroll to 39.05% of payroll. The 39.21% rate was calculated after applying the two-year phase-in of the impact of the change in the economic assumptions on the employer's rate in the last valuation. The contribution rate without the phase-in was 41.51% of payroll. The aggregate employee's rate has increased from 12.75% of payroll to 12.77% of payroll.

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Actuary's Certification Letter

(Continued)

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In the December 31, 2013 valuation, the actuarial value of assets excluded $262 million in unrecognized investment gains, which represented 2% of the market value of assets. If these deferred investment gains were recognized immediately in the actuarial value of assets, the funded percentage would increase from 65.99% to 67.7% and the aggregate employer contribution rate, expressed as a percent of payroll, would decrease from 39.05% to about 37.8%.

The undersigned are Members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Associate Actuary

AW/gxk
Enclosures

History of Unfunded Actuarial Accrued Liability

(Dollars in Thousands)

Valuation Date	Actuarial Accrued Liability	Valuation Value of Assets	Unfunded Actuarial Accrued Liability	Ratio of Assets to Actuarial Accrued Liability	Annual Active Member Compensation	Ratio of Unfunded Actuarial Accrued Liability to Active Compensation
12/31/08	$10,860,715	$7,748,380	$3,112,335	71.34%	$1,569,764	198.27%
12/31/09	11,858,578	8,154,687	3,703,891	68.77%	1,618,491	228.85%
12/31/10	12,425,873	8,672,592	3,753,281	69.79%	1,579,239	237.66%
12/31/11	13,522,978	9,064,355	4,458,623	67.03%	1,619,474	275.31%
12/31/12	15,144,888	9,469,208	5,675,680	62.52%	1,609,600	352.55%
12/31/13	15,785,042	10,417,125	5,367,917	65.99%	1,604,496	334.55%

Notes:

- Each year's assets exclude an amount as shown in the following table of the County's unamortized 1994 funding of its portion of the Unfunded Actuarial Accrued Liability, which funding for 1995 was being amortized over a 14-year period beginning July 1, 1994 and for 1996 and later was being amortized over a 28-year period beginning July 1, 1996. Beginning July 1, 2003, the County can utilize this amount at its discretion to fund any portion of the employer contribution.
- Each year since December 31, 2005 the assets also exclude prepaid employer contributions.

Valuation Date	Amount Excluded from Assets	
	County Investment Account	Prepaid Employer Contributions
12/31/08	$126,683,000	$24,345,000
12/31/09	108,324,000	20,027,000
12/31/10	108,531,000	29,545,000
12/31/11	97,767,000	162,873,000
12/31/12	103,261,000	177,632,000
12/31/13	109,254,000	172,348,000

History of Employer Contribution Rates

Employer Contribution Rate (% of pay)

Valuation Date	General (Non-OCTA, Non-OCSD)	General (1.62% @ 65, Non-OCTA)	General (2.7% @ 55)	General (2.0% @ 57)	General (OCTA)	General (2.5% @ 55)	General (1.64% @ 57, OCSD)	General (2.0% @ 55, TCA)
12/31/08	NC 8.99% UAAL 7.06 **Total 16.05%**	N/A	NC 11.79% UAAL 13.00 **Total 24.79%**	N/A	NC 11.32% UAAL 5.94 **Total 17.26%**	NC 11.19% UAAL 13.01 **Total 24.20%**	N/A	NC 13.02% UAAL 5.72 **Total 18.74%**
12/31/09 *	NC 8.69% UAAL 10.43 **Total 19.12%**	NC 3.69% UAAL 15.50 **Total 19.19%**	NC 11.61% UAAL 15.50 **Total 27.11%**	N/A	NC 11.11% UAAL 9.28 **Total 20.39%**	NC 10.93% UAAL 14.75 **Total 25.68%**	NC 10.14% UAAL 14.75 **Total 24.89%**	NC 12.59% UAAL 7.05 **Total 19.64%**
12/31/10 **	NC 8.59% UAAL 8.26 **Total 16.85%**	NC 5.10% UAAL 16.84 **Total 21.94%**	NC 11.55% UAAL 16.84 **Total 28.39%**	N/A	NC 10.96% UAAL 10.00 **Total 20.96%**	NC 10.92% UAAL 16.55 **Total 27.47%**	NC 10.14% UAAL 16.55 **Total 26.69%**	NC 12.56% UAAL 8.41 **Total 20.97%**
12/31/11	NC 8.55% UAAL 10.39 **Total 18.94%**	NC 4.91% UAAL 20.98 **Total 25.89%**	NC 12.03% UAAL 20.98 **Total 33.01%**	NC 10.99% UAAL 20.98 **Total 31.97%**	NC 10.57% UAAL 13.08 **Total 23.65%**	NC 11.29% UAAL 20.66 **Total 31.95%**	NC 10.11% UAAL 20.66 **Total 30.77%**	NC 13.11% UAAL 9.11 **Total 22.22%**
12/31/12	NC 9.68% UAAL 12.91 **Total 22.59%**	NC 5.56% UAAL 25.85 **Total 31.41%**	NC 13.69% UAAL 25.85 **Total 39.54%**	NC 12.10% UAAL 25.85 **Total 37.95%**	NC 11.83% UAAL 16.48 **Total 28.31%**	NC 12.88% UAAL 25.60 **Total 38.48%**	NC 11.02% UAAL 25.60 **Total 36.62%**	NC 14.20% UAAL 12.97 **Total 27.17%**
With 2-Year Phase-In	**21.04%**	**29.84%**	**37.45%**	**35.96%**	**26.62%**	**36.57%**	**34.87%**	**25.71%**
12/31/13 ***	NC 9.82% UAAL 11.34 **Total 21.16%**	NC 5.61% UAAL 23.72 **Total 29.33%**	NC 13.66% UAAL 23.72 **Total 37.38%**	NC 12.46% UAAL 23.72 **Total 36.18%**	NC 11.81% UAAL 15.22 **Total 27.03%**	NC 12.89% UAAL 21.87 **Total 34.76%**	NC 10.53% UAAL 21.87 **Total 32.40%**	NC 14.13% UAAL 12.28 **Total 26.41%**

History of Employer Contribution Rates

(Continued)

Employer Contribution Rate (% of pay)

Valuation Date		General (2.0% @ 55, Cemetery, future service)	General (2.7% @ 55, OCFA)	General (2.0% @ 55, OCFA)	Safety Law Enforcement (3% @ 50)	Safety Law Enforcement (3% @ 55)	Safety Fire Authority (3% @ 50)	Safety Fire Authority (3% @ 55)	Safety Probation
12/31/08	NC	10.85%	12.03%	N/A	21.39%	N/A	21.16%	N/A	20.15%
	UAAL	7.05	12.59		21.95		21.94		12.03
	Total	**17.90%**	**24.62%**		**43.34%**		**43.10%**		**32.18%**
12/31/09 *	NC	11.24%	11.98%	11.11%	21.13%	20.38%	21.31%	18.30%	20.17%
	UAAL	6.92	14.55	14.55	25.26	25.26	27.22	27.22	13.90
	Total	**18.16%**	**26.53%**	**25.66%**	**46.39%**	**45.64%**	**48.53%**	**45.52%**	**34.07%**
12/31/10 **	NC	10.90%	11.85%	11.11%	21.05%	20.38%	21.54%	18.30%	20.07%
	UAAL	6.86	16.14	16.14	26.40	26.40	23.92	23.92	16.22
	Total	**17.76%**	**27.99%**	**27.25%**	**47.45%**	**46.78%**	**45.46%**	**42.22%**	**36.29%**
12/31/11	NC	10.80%	12.18%	14.35%	21.48%	21.47%	23.49%	18.58%	19.31%
	UAAL	8.23	20.43	20.43	29.38	29.38	19.66	19.66	17.26
	Total	**19.03%**	**32.61%**	**34.78%**	**50.86%**	**50.85%**	**43.15%**	**38.24%**	**36.57%**
12/31/12	NC	12.34%	13.92%	14.01%	24.24%	24.20%	26.16%	21.12%	21.26%
	UAAL	12.28	24.76	24.76	36.71	36.71	26.84	26.84	21.91
	Total	**24.62%**	**38.68%**	**38.77%**	**60.95%**	**60.91%**	**53.00%**	**47.96%**	**43.17%**
With 2-Year Phase-In		**22.99%**	**36.70%**	**36.99%**	**57.27%**	**57.37%**	**49.83%**	**44.85%**	**40.52%**
12/31/13 ***	NC	12.33%	14.06%	14.15%	24.23%	22.58%	25.86%	21.70%	21.00%
	UAAL	9.87	23.34	23.34	32.47	32.47	24.14	24.14	19.72
	Total	**22.20%**	**37.40%**	**37.49%**	**56.70%**	**55.05%**	**50.00%**	**45.84%**	**40.72%**

History of Employer Contribution Rates

(Continued)

Employer Contribution Rate (% of pay)

Valuation Date		CalPEPRA Rate Group #1 (2.5% @ 67)	CalPEPRA Rate Group #2 (1.62% @ 65)	CalPEPRA Rate Group #2 (2.5% @ 67)	CalPEPRA Rate Group #3 (2.5% @ 67)	CalPEPRA Rate Group #9 (2.5% @ 67)	CalPEPRA Rate Group #10 (2.5% @ 67)	CalPEPRA Rate Group #11 (2.5% @ 67)
12/31/10	NC	7.24%	5.78%	7.64%	8.34%	9.78%	7.36%	7.31%
	UAAL	8.26	16.84	16.84	16.55	8.41	16.14	6.86
	Total	**15.50%**	**22.62%**	**24.48%**	**24.89%**	**18.19%**	**23.50%**	**14.17%**
12/31/11	NC	8.06%	6.20%	8.26%	8.70%	10.36%	7.84%	7.95%
	UAAL	10.39	20.98	20.98	20.66	9.11	20.43	8.23
	Total	**18.45%**	**27.18%**	**29.24%**	**29.36%**	**19.47%**	**28.27%**	**16.18%**
12/31/12	NC	8.68%	6.78%	7.44%	9.38%	10.97%	8.50%	8.66%
	UAAL	12.91	25.85	25.85	25.60	12.97	24.76	12.28
	Total	**21.59%**	**32.63%**	**33.29%**	**34.98%**	**23.94%**	**33.26%**	**20.94%**
With 2-Year Phase-In		**20.33%**	**31.10%**	**32.05%**	**33.52%**	**22.87%**	**31.81%**	**19.63%**
12/31/13 ***	NC	9.39%	6.70%	8.56%	9.66%	11.40%	9.71%	8.66%
	UAAL	11.34	23.72	23.72	21.87	12.28	23.34	9.87
	Total	**20.73%**	**30.42%**	**32.28%**	**31.53%**	**23.68%**	**33.05%**	**18.53%**

Valuation Date		CalPEPRA Rate Group #6 (2.7% @ 57)	CalPEPRA Rate Group #7 (2.7% @ 57)	CalPEPRA Rate Group #8 (2.7% @ 57)
12/31/10	NC	11.37%	15.03%	14.53%
	UAAL	16.22	26.40	23.92
	Total	**27.59%**	**41.43%**	**38.45%**
12/31/11	NC	12.23%	15.55%	15.23%
	UAAL	17.26	29.38	19.66
	Total	**29.49%**	**44.93%**	**34.89%**
12/31/12	NC	13.91%	17.05%	16.41%
	UAAL	21.91	36.71	26.84
	Total	**35.82%**	**53.76%**	**43.25%**
With 2-Year Phase-In		**33.40%**	**50.61%**	**40.96%**
12/31/13 ***	NC	13.95%	19.17%	16.85%
	UAAL	19.72	32.47	24.14
	Total	**33.67%**	**51.64%**	**40.99%**

* The UAAL established as a result of including additional premium pay items is amortized over a 25-year period.

** The UAAL established as a result of reallocating contributions and benefit payments among Rate Groups is amortized over a 24-year period.

*** The outstanding balance of the December 31, 2012 UAAL has been combined and re-amortized over a period of 20 years.

Summary of Active Membership

Valuation Date	Number	Annual Salary	Annual Average Salary	Increase / (Decrease) in Average Salary (%)
12/31/08				
General	19,795	$1,238,077,000	$62,545	7.08
Safety	3,925	331,687,000	84,506	7.29
Total	**23,720**	**$1,569,764,000**	$66,179	7.26
12/31/09				
General	18,873	$1,258,558,000	$66,686	6.62
Safety	3,760	359,933,000	95,727	13.28
Total	**22,633**	**$1,618,491,000**	$71,510	8.06
12/31/10				
General	18,155	$1,232,657,000	$67,896	1.81
Safety	3,587	346,582,000	96,622	0.93
Total	**21,742**	**$1,579,239,000**	$72,635	1.57
12/31/11				
General	17,717	$1,249,064,000	$70,501	3.84
Safety	3,704	370,410,000	100,003	3.50
Total	**21,421**	**$1,619,474,000**	$75,602	4.08
12/31/12				
General	17,529	$1,238,958,000	$70,680	0.25
Safety	3,727	370,643,000	99,448	-0.55
Total	**21,256**	**$1,609,601,000**	$75,725	0.16
12/31/13				
General	17,547	$1,227,153,000	$69,935	-1.05
Safety	3,821	377,343,000	98,755	-0.70
Total	**21,368**	**$1,604,496,000**	$75,089	-0.84

Excludes Deferred and Pending members.

Summary of Retired Membership

Plan Year Ending	At Beginning of Year	Added to Rolls		Removed from Rolls		At End of Year	Annual Allowance (in 000's)	% Increase in Annual Allowance	Average Monthly Allowance
		Number	Annual Allowance (in 000's)*	Number	Annual Allowance (in 000's)				
2008	11,421	658	$38,298	(301)	$(6,426)	11,778	$393,647	8.81	$2,785
2009	11,778	744	32,435	(279)	(6,829)	12,243	419,253	6.50	2,854
2010	12,243	851	46,736	(332)	(8,334)	12,762	457,655	9.16	2,988
2011	12,762	888	45,913	(361)	(9,371)	13,289	494,197	7.98	3,099
2012	13,289	1,026	58,344	(368)	(9,036)	13,947	543,505	9.98	3,247
2013	13,947	911	52,319	(353)	(9,958)	14,505	585,866	7.79	3,366

* Includes COLA granted during the plan year.

Note: Annual allowances exclude RMBR and STAR COLA.

Development of Actuarial and Valuation Value of Assets

As of December 31, 2013

Plan Year Ending	Total Actual Market Return (net)	Expected Market Return (net)	Investment Gain/(Loss)	Deferred Factor	Deferred Return
2010	$787,215,000	$582,621,000	$204,594,000	0.2	$40,919,000
2011	3,236,000	651,782,000	(648,546,000)	0.4	(259,418,000)
2012	1,014,471,000	659,447,000	355,024,000	0.6	213,014,000
2013	1,031,118,000	696,553,000	334,565,000	0.8	267,652,000

1.	**Total Deferred Return**	$262,167,000
2.	**Net Market Value of Assets** (Excludes $109,254,000 in County Investment Account and $172,348,000 in Prepaid Employer Contributions)	10,679,507,000 *
3.	**Actuarial Value of Assets** (2) – (1)	10,417,340,000 **
4.	**Non-valuation Reserves**	
	(a) Unclaimed member deposit	123,000
	(b) Medicare medical insurance reserve	92,000
	(c) Subtotal	215,000
5.	**Valuation Value of Assets** (3) – (4)(c)	$10,417,125,000
6.	**Deferred Return Recognized in Each of the Next 4 Years**	
	(a) Amount recognized on 12/31/2014	$49,127,667
	(b) Amount recognized on 12/31/2015	8,208,667
	(c) Amount recognized on 12/31/2016	137,917,666
	(d) Amount recognized on 12/31/2017	66,913,000
	(e) Subtotal (may not total exactly due to rounding)	$262,167,000

* Based on the unaudited financial statement provided by OCERS for the December 31, 2013 valuation.

** Ratio of Actuarial Value of Assets to Net Market Value of Assets is 98% ((3) / (2)).

Short-Term Solvency Test

(Dollars in Thousands)

Valuation Date	(1) Active Member Contributions	(2) Liability for Inactive Participants	(3) Liability for Active Members (Employer Financed Portion)	Valuation Value of Assets	Portion of Accrued Liability Covered by Valuation Assets (%) (1)	(2)	(3)
12/31/08	$1,376,514	$5,211,893	$4,272,308	$7,748,380	100	100	27.15
12/31/09	1,536,849	5,680,031	4,641,698	8,154,687	100	100	20.20
12/31/10	1,680,401	6,107,350	4,638,122	8,672,592	100	100	19.08
12/31/11	1,829,406	6,881,152	4,812,420	9,064,355	100	100	7.35
12/31/12	1,967,117	7,919,478	5,258,293	9,469,208	100	94.73	0.00
12/31/13	2,126,182	8,502,269	5,156,591	10,417,125	100	97.51	0.00

Actuarial Methods and Assumptions

Section 1 - Post – Retirement Mortality Rates:

Healthy: For General Members and all Beneficiaries: RP-2000 Combined Healthy Mortality Table set back three years.

For Safety Members: RP-2000 Combined Healthy Mortality Table set back two years.

Disabled: For General Members: RP-2000 Combined Healthy Mortality Table set forward three years.

For Safety Members: RP-2000 Combined Healthy Mortality Table set forward two years.

The mortality tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience in the January 1, 2008 through December 31, 2010 Actuarial Experience Study.

Employee Contribution Rates: For General Members: RP-2000 Combined Healthy Mortality Table set back three years, weighted 40% male and 60% female.

For Safety Members: RP-2000 Combined Healthy Mortality Table set back two years, weighted 80% male and 20% female.

Section 2 - Termination Rates Before Retirement:

Mortality Rate Percentages				
	General		Safety	
Age	Male	Female	Male	Female
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.02
35	0.06	0.04	0.06	0.04
40	0.09	0.06	0.10	0.06
45	0.12	0.09	0.13	0.09
50	0.17	0.13	0.19	0.14
55	0.27	0.20	0.29	0.22
60	0.47	0.35	0.53	0.39
65	0.88	0.67	1.00	0.76

All pre-retirement deaths are assumed to be non-service connected.

Actuarial Methods and Assumptions

(Continued)

Section 2 - Termination Rates Before Retirement (Continued):

Disability Incidence Rate Percentages				
Age	General All Other[1]	General OCTA[2]	Safety - Law & Fire[3]	Safety - Probation[3]
20	0.00	0.00	0.01	0.00
25	0.00	0.00	0.04	0.06
30	0.02	0.03	0.08	0.16
35	0.06	0.08	0.22	0.20
40	0.11	0.28	0.36	0.20
45	0.14	0.46	0.52	0.20
50	0.15	0.56	0.96	0.20
55	0.18	0.84	1.68	0.20
60	0.32	1.30	3.80	0.08

(1) 50% of General All Other disabilities are assumed to be service connected disabilities. The other 50% are assumed to be non-service connected.

(2) 70% of General - OCTA disabilities are assumed to be service connected disabilities. The other 30% are assumed to be non-service connected.

(3) 100% of Safety – Law Enforcement, Fire and Probation disabilities are assumed to be service connected disabilities.

Section 2 - Termination Rates Before Retirement (Continued):

Termination Rate Percentages (< 5 Years of Service)				
Years of Service	General All Other[1]	General OCTA[1]	Safety - Law & Fire[2]	Safety - Probation[2]
0	13.0	20.0	4.0	20.0
1	8.0	16.0	3.0	15.0
2	7.0	12.0	2.0	10.0
3	6.0	9.0	2.0	5.0
4	5.0	7.0	1.0	4.0

Termination Rate Percentages (> 5 Years of Service)				
Age	General All Other[3]	General OCTA[3]	Safety - Law & Fire[3]	Safety - Probation[2]
20	5.0	4.0	1.0	4.0
25	4.4	4.0	1.0	4.0
30	4.0	4.0	1.0	3.4
35	3.4	4.0	0.9	3.0
40	3.0	3.4	0.6	2.4
45	2.4	3.0	0.5	2.0
50	2.3	3.0	0.2	2.0
55	2.5	3.0	0.0	1.4
60	2.5	3.0	0.0	0.4

(1) 50% of all terminated members will choose a refund of contributions and 50% will choose a deferred vested benefit.

(2) 40% of all terminated members will choose a refund of contributions and 60% will choose a deferred vested benefit.

(3) 30% of terminated members will choose a refund of contributions and 70% will choose a deferred vested benefit.

Actuarial Methods and Assumptions

(Continued)

Retirement Rate Percentages								
Age	General - Enhanced	General - Non Enhanced[1]	General - SJC	Safety - Law (3% @ 50)[2]	Safety - Law (3% @ 55)[2]	Safety - Fire (3% @ 50)[2]	Safety - Fire (3% @ 55)[2]	Safety - Probation[2]
49	0.0	0.0	0.0	10.0	0.0	0.0	0.0	0.0
50	3.0	2.0	3.0	14.0	11.5	7.0	8.0	4.0
51	2.0	2.0	3.0	14.0	12.0	9.0	10.0	4.0
52	2.0	2.0	3.0	14.0	12.7	11.0	11.0	4.0
53	2.0	2.0	3.0	14.0	17.9	12.0	12.0	4.0
54	5.0	2.0	3.0	20.0	18.8	16.0	14.0	8.0
55	15.0	3.0	4.0	20.0	30.7	20.0	24.0	12.0
56	9.0	4.0	5.0	20.0	20.0	20.0	23.0	12.0
57	9.0	6.0	6.0	20.0	20.0	25.0	27.0	16.0
58	9.0	8.0	7.0	20.0	25.0	25.0	27.0	25.0
59	9.0	8.0	9.0	25.0	30.0	30.0	36.0	25.0
60	12.0	8.0	11.0	60.0	100.0	60.0	100.0	25.0
61	12.0	8.0	13.0	60.0	100.0	60.0	100.0	25.0
62	17.0	16.0	15.0	60.0	100.0	60.0	100.0	25.0
63	15.0	16.0	15.0	60.0	100.0	60.0	100.0	50.0
64	18.0	16.0	20.0	60.0	100.0	60.0	100.0	100.0
65	20.0	20.0	20.0	100.0	100.0	100.0	100.0	100.0
66	25.0	25.0	24.0	100.0	100.0	100.0	100.0	100.0
67	21.0	21.0	24.0	100.0	100.0	100.0	100.0	100.0
68	21.0	21.0	24.0	100.0	100.0	100.0	100.0	100.0
69	21.0	21.0	24.0	100.0	100.0	100.0	100.0	100.0
70	60.0	40.0	100.0	100.0	100.0	100.0	100.0	100.0
71	60.0	40.0	100.0	100.0	100.0	100.0	100.0	100.0
72	60.0	40.0	100.0	100.0	100.0	100.0	100.0	100.0
73	60.0	40.0	100.0	100.0	100.0	100.0	100.0	100.0
74	60.0	40.0	100.0	100.0	100.0	100.0	100.0	100.0
75	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(1) These assumptions are also used for the CalPEPRA 1.62% @ 65 formula (Plan T).

(2) Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings.

Actuarial Methods and Assumptions

(Continued)

Retirement Rate Percentages (Continued)				
Age	CalPEPRA General Formula	CalPEPRA Safety – Probation Formula[1]	CalPEPRA Safety – Law Formula[1]	CalPEPRA Safety – Fire Formula[1]
50	0.0	3.0	10.0	7.0
51	0.0	3.0	10.5	8.5
52	4.0	3.0	11.0	9.5
53	1.5	3.0	15.5	10.5
54	1.5	7.0	16.5	12.0
55	2.5	10.5	27.0	21.0
56	3.5	10.5	17.5	20.0
57	5.5	14.0	18.0	23.5
58	7.5	22.0	22.0	23.5
59	7.5	22.0	26.0	31.5
60	7.5	100.0	100.0	100.0
61	7.5	100.0	100.0	100.0
62	15.0	100.0	100.0	100.0
63	15.0	100.0	100.0	100.0
64	15.0	100.0	100.0	100.0
65	19.0	100.0	100.0	100.0
66	25.0	100.0	100.0	100.0
67	21.0	100.0	100.0	100.0
68	21.0	100.0	100.0	100.0
69	21.0	100.0	100.0	100.0
70	40.0	100.0	100.0	100.0
71	40.0	100.0	100.0	100.0
72	40.0	100.0	100.0	100.0
73	40.0	100.0	100.0	100.0
74	40.0	100.0	100.0	100.0
75	100.0	100.0	100.0	100.0

(1) Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings.

Actuarial Methods and Assumptions

(Continued)

Retirement Age and Benefit for Deferred Vested Members:

For deferred vested members, we make the following retirement age assumptions:

General Age:	57
Safety Age:	53

We assume that 25% of future General and 30% of future Safety deferred vested members are reciprocal. For reciprocals, we assume 4.75% compensation increases per annum.

Liability Calculation for Current Deferred Vested Members:

Liability for a current deferred vested member is calculated based on salary, service, and eligibility for reciprocal benefit as provided by the Retirement System. For those members without salary information that have 3 or more years of service, we used an average salary. For those members without salary information that have less than 3 years of service or for those members without service information, we assumed a refund of account balance.

Future Benefit Accruals:

1.0 year of service per year of employment. There is no assumption to anticipate conversion of unused sick leave at retirement.

Unknown Data for Members:

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Percent Married:

80% of male members and 50% of female members are assumed to be married at retirement or time of pre-retirement death.

Age of Spouse:

Female (or male) three years younger (or older) than spouse.

Net Investment Return:

7.25%; net of investment and administrative expenses.

Employee Contribution Crediting Rate:

5.00%, compounded semi-annually.

Consumer Price Index:

Increase of 3.25% per year, retiree COLA increases due to CPI subject to a 3.0% maximum change per year.

Actuarial Methods and Assumptions

(Continued)

Salary Increases:

Annual Rate of Compensation Increase (%) *Inflation: 3.25% per year, plus "across the board" salary increases of 0.50% per year, plus the following merit and promotion increases:*		
Years of Service	**General**	**Safety**
Less than 1	10.00%	14.00%
1	7.00	9.00
2	6.00	8.00
3	5.00	7.00
4	4.00	5.00
5	3.00	4.00
6	2.00	3.00
7	1.75	3.00
8	1.50	2.00
9	1.25	2.00
10	1.25	1.50
11	1.25	1.50
12	1.25	1.50
13	1.25	1.50
14	1.25	1.50
15	1.25	1.50
16	1.00	1.00
17	1.00	1.00
18	1.00	1.00
19	1.00	1.00
20 & over	1.00	1.00

Actuarial Methods and Assumptions

(Continued)

Additional Cashout Assumptions:

Non-CalPEPRA Formulas: Additional compensation amounts are expected to be received during a member's final average earnings period. The percentages used in this valuation are:

	Final One Year Salary	Final Three Year Salary
General Members	4.00%	2.70%
Safety - Probation	5.20%	2.70%
Safety - Law	6.60%	4.50%
Safety - Fire	4.00%	2.00%

The additional cashout assumptions are the same for service and disability retirements.

CalPEPRA Formulas: None

Actuarial Value of Assets:

Market value of assets less unrecognized returns in each of the last five years. Unrecognized return in equal to the difference between the actual and the expected return on a market value basis, and is recognized over a five-year period.

Valuation Value of Assets:

The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.

Actuarial Cost Method:

Entry Age Actuarial Cost Method. Entry Age is the current age minus Vesting Credit. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salaries, with Normal Cost determined as a level percentage of individual salary, as if the current benefit accrual rate had always been in effect. Effective with the December 31, 2013 valuation, the outstanding balance of the December 31, 2012 Unfunded Actuarial Accrued Liability was combined and re-amortized over a declining 20-year period. Any changes in Unfunded Actuarial Accrued Liability due to actuarial gains or losses or due to changes in assumptions or methods will be amortized over separate 20-year periods. Any changes in UAAL due to plan amendments are amortized over separate 15-year periods and any change in UAAL due to early retirement incentive programs will be amortized over a separate period of up to 5 years.

Please note that for Probation members who have prior benefit service in another General OCERS plan, the normal cost rate for the current plan is calculated assuming their Entry Age is the date they entered service with their current plan.

Summary of Major Plan Provisions

This section summarizes the major provisions of OCERS included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Membership Eligibility:

Membership with OCERS begins with the day of employment in an eligible position by the County or a participating employer.

Non-CalPEPRA General Plans

2.5% @ 55 Plans (Orange County Sanitation District and Law Library[1])

Plan G — General members hired before September 21, 1979.

Plan H — General members hired on or after September 21, 1979. (Sanitation District members within Supervisors and Professional unit hired on or after October 1, 2010 are in Plan B)

2.7% @ 55 Plans (City of San Juan Capistrano, Orange County Employees except bargaining unit AFSCME members, Orange County Superior Court, Orange County Local Agency Formation Commission[1], Orange County Employees Retirement System[2], Children and Family Commission[3] and Orange County Fire Authority)

Plan I — General members hired before September 21, 1979.

Plan J — General members hired on or after September 21, 1979.

[1] Improvement is prospective only for service after June 23, 2005.

[2] Improvement for management employees is prospective only for service after June 30, 2005.

[3] Improvement is prospective only for service after December 22, 2005.

2.0% @ 55 Plans (Transportation Corridor Agency, Cemetery District - future service effective December 7, 2007 and General OCFA employees effective July 1, 2011)

Plan M — General members hired before September 21, 1979.

Plan N — General members hired on or after September 21, 1979.

1.62% @ 65 Plans (Orange County Employees, Orange County Superior Court, Orange County Local Agency Formation Commission and Orange County Managers Unit)

Plan O — County OCEA members and Superior Court members rehired on or after May 7, 2010, LAFCO members rehired on or after July 1, 2010 and County Managers unit members rehired on or after August 17, 2010 and not electing to rejoin Plan I.

Plan P — County OCEA members and Superior Court members hired on or after May 7, 2010, LAFCO members hired on or after July 1, 2010 and County Managers unit members hired on or after August 17, 2010 and not electing Plan J.

2.0% @ 57 Plan (City of San Juan Capistrano)

Plan S — General members hired on or after July 1, 2012.

All Other General Employers

Plan A — General members hired before September 21, 1979.

Plan B — General members hired on or after September 21, 1979 and Sanitation District members within Supervisors and Professional unit hired on or after October 1, 2010.

Summary of Major Plan Provisions

(Continued)

Membership Eligibility (Continued):

Non-CalPEPRA Safety Plans

3% @ 50 Plans (Law Enforcement, Fire Authority and Probation)

Plan E	Safety members hired before September 21, 1979.
Plan F	Safety members hired on or after September 21, 1979 and before April 9, 2010 for Law Enforcement, before July 1, 2011 for Safety employees of OCFA Executive Management, and before July 1, 2012 for other OCFA Safety employees.

3% @ 55 Plans (Law Enforcement and Fire Authority)

Plan Q	Safety Law Enforcement members rehired on or after April 9, 2010, Safety employees of OCFA Executive Management rehired on or after July 1, 2011, and other OCFA Safety employees rehired on or after July 1, 2012 and previously in Plan E.
Plan R	Safety Law Enforcement members hired on or after April 9, 2010, Safety employees of OCFA Executive Management hired on or after July 1, 2011, and other OCFA Safety employees hired on or after July 1, 2012.

CalPEPRA General Plans

1.62% @ 65 Plan (Orange County Employees except County Attorneys, Orange County Employees Retirement System except Management Employees, Children and Family Commission, Local Agency Formation Commission, and Orange County Superior Court)

Plan T	General members with membership dates on or after January 1, 2013.

2.5% @ 67 Plan (All Other General Employers, Orange County Attorneys, Orange County Employees Retirement System Management Employees)

Plan U	General members with membership dates on or after ***January 1, 2013.***

CalPEPRA Safety Plans

2.7% @ 57 Plan (Law Enforcement, Fire Authority and Probation Members)

Plan V	Safety members with membership dates on or after January 1, 2013.

Summary of Major Plan Provisions

(Continued)

Final Compensation for Benefit Determination:

Plans A, E, G, I, M, O and Q	Highest consecutive twelve months of compensation earnable. (§31462.1) (FAS1)
Plans B, F, H, J, N, P, R and S	Highest consecutive thirty-six months of compensation earnable. (§31462) (FAS3)
Plans T, U and V	Highest consecutive thirty-six months of pensionable compensation. (§7522.10(c), §7522.32 and §7522.34) (FAS3)

Service:

Years of service. (Yrs)

Service Retirement Eligibility:

Plans A, B, G, H, I, J, M, N, O, P, S and T	Age 50 with 10 years of service, or age 70 regardless of service, or after 30 years, regardless of age. (§31672)
	All part time employees over age 55 with 10 years of employment may retire with 5 years of service.
Plan U	Age 52 with 5 years of service. (§7522.20(a)) or age 70 regardless of service (§31672.3).
Plans E, F, Q and R	Age 50 with 10 years of service, or after 20 years, regardless of age. (§31663.25)
	All part time employees over age 55 with 10 years of employment may retire with 5 years of service.
Plan V	Age 50 with 5 years of service. (§7522.20(d)) or age 70 regardless of service (§31672.3).

Summary of Major Plan Provisions

(Continued)

Benefit Formula: General Plans

2.5% @ 55	Retirement Age	Benefit Formula
Plan G (§31676.18)	50	(2.00% x FAS1 x Yrs)
Tier 1	55	(2.50% x FAS1 x Yrs)
	60	(2.50% x FAS1 x Yrs)
	62	(2.62% x FAS1 x Yrs)*
	65 or later	(2.62% x FAS1 x Yrs)*
Plan H (§31676.18)	50	(2.00% x FAS3 x Yrs)
Tier 2	55	(2.50% x FAS3 x Yrs)
	60	(2.50% x FAS3 x Yrs)
	62	(2.50% x FAS3 x Yrs)
	65 or later	(2.50% x FAS3 x Yrs)

* Reflects benefit factors from Plan A as they provide a better benefit than those under 2.5% @ 55.

2.7% @ 55	Retirement Age	Benefit Formula
Plan I (§31676.19)	50	(2.00% x FAS1 x Yrs)
Tier 1	55	(2.70% x FAS1 x Yrs)
	60	(2.70% x FAS1 x Yrs)
	62	(2.70% x FAS1 x Yrs)
	65 or later	(2.70% x FAS1 x Yrs)
Plan J (§31676.19)	50	(2.00% x FAS3 x Yrs)
Tier 2	55	(2.70% x FAS3 x Yrs)
	60	(2.70% x FAS3 x Yrs)
	62	(2.70% x FAS3 x Yrs)
	65 or later	(2.70% x FAS3 x Yrs)

2.0% @ 55	Retirement Age	Benefit Formula
Plan M (§31676.16)	50	(1.43% x FAS1 x Yrs)
Tier 1	55	(2.00% x FAS1 x Yrs)
	60	(2.34% x FAS1 x Yrs)**
	62	(2.62% x FAS1 x Yrs)**
	65 or later	(2.62% x FAS1 x Yrs)**
Plan N (§31676.16)	50	(1.43% x FAS3 x Yrs)
Tier 2	55	(2.00% x FAS3 x Yrs)
	60	(2.26% x FAS3 x Yrs)
	62	(2.37% x FAS3 x Yrs)
	65 or later	(2.43% x FAS3 x Yrs)***

** Reflects benefit factors from Plan A as they provide a better benefit than those under 2.0% @ 55.

*** Reflects benefit factors from Plan B as they provide a better benefit than those under 2.0% @ 55.

Summary of Major Plan Provisions

(Continued)

Benefit Formula: General Plans (Continued)

1.62% @ 65	Retirement Age	Benefit Formula
Plan O (§31676.01)	50	(0.79% x FAS1 x Yrs)
Tier 1	55	(0.99% x FAS1 x Yrs)
	60	(1.28% x FAS1 x Yrs)
	62	(1.39% x FAS1 x Yrs)
	65 or later	(1.62% x FAS1 x Yrs)
Plan P and Plan T	50	(0.79% x FAS3 x Yrs)
(§31676.01)	55	(0.99% x FAS3 x Yrs)
Tier 2	60	(1.28% x FAS3 x Yrs)
	62	(1.39% x FAS3 x Yrs)
	65 or later	(1.62% x FAS3 x Yrs)

2.0% @ 57	Retirement Age	Benefit Formula
Plan S (§31676.12)	50	(1.34% x FAS3 x Yrs)
Tier 2	55	(1.77% x FAS3 x Yrs)
	60	(2.34% x FAS3 x Yrs)
	62	(2.62% x FAS3 x Yrs)
	65 or later	(2.62% x FAS3 x Yrs)

All Other General Members	Retirement Age	Benefit Formula
Plan A (§31676.12)	50	(1.34% x FAS1 x Yrs)
Tier 1	55	(1.77% x FAS1 x Yrs)
	60	(2.34% x FAS1 x Yrs)
	62	(2.62% x FAS1 x Yrs)
	65 or later	(2.62% x FAS1 x Yrs)
Plan B (§31676.1)	50	(1.18% x FAS3 x Yrs)
Tier 2	55	(1.49% x FAS3 x Yrs)
	60	(1.92% x FAS3 x Yrs)
	62	(2.09% x FAS3 x Yrs)
	65 or later	(2.43% x FAS3 x Yrs)
Plan U (§7522.20(a))	52	(1.00% x FAS3 x Yrs)
	55	(1.30% x FAS3 x Yrs)
	60	(1.80% x FAS3 x Yrs)
	62	(2.00% x FAS3 x Yrs)
	65	(2.30% x FAS3 x Yrs)
	67 or later	(2.50% x FAS3 x Yrs)

Summary of Major Plan Provisions

(Continued)

Benefit Formula: Safety Plans

3% @ 50	Retirement Age	Benefit Formula
Plan E (§31664.1)	50	(3.00% x FAS1 x Yrs)
Tier 1	55	(3.00% x FAS1 x Yrs)
	60 or later	(3.00% x FAS1 x Yrs)
Plan F (§31664.1)	50	(3.00% x FAS3 x Yrs)
Tier 2	55	(3.00% x FAS3 x Yrs)
	60 or later	(3.00% x FAS3 x Yrs)

All Other Safety Members	Retirement Age	Benefit Formula
Plan Q (§31664.2)	50	(2.29% x FAS1 x Yrs)
Tier 1	55	(3.00% x FAS1 x Yrs)
	60 or later	(3.00% x FAS1 x Yrs)
Plan R (§31664.2)	50	(2.29% x FAS3 x Yrs)
Tier 2	55	(3.00% x FAS3 x Yrs)
	60 or later	(3.00% x FAS3 x Yrs)
Plan V (§7522.25(d))	50	(2.00% x FAS3 x Yrs)
	55	(2.50% x FAS3 x Yrs)
	57 or later	(2.70% x FAS3 x Yrs)

Maximum Benefit:

Plans A, B, E, F, G, H, I, J, M, N, O, P, Q, R, S and T	100% of Highest Average Compensation (§31676.01, §31676.1, §31676.12, §31676.16, §31676.18, §31676.19, §31664.1, §31664.2)
Plans U and V	None

Summary of Major Plan Provisions

(Continued)

Ordinary Disability:

General Plans

Plans A, B, G, H, I, J, M, N, O, P, S, T and U

Eligibility Five years of service. (§31720)

Benefit Formula **Plans A, G, I, M, and O:** 1.8% per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 62, but the total benefit cannot be more than one-third of Final Compensation. (§31727.1)

Plans B, H, J, N, P, S, T and U: 1.5% per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 65, but the total benefit cannot be more than one-third of Final Compensation. (§31727)

Safety Plans

Plans E, F, Q, R and V

Eligibility Five years of service. (§31720)

Benefit Formula 1.8% per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 55, but the total benefit cannot be more than one-third of Final Compensation (§31727.2).

For all members, 100% of the service retirement benefit will be paid, if greater.

Line-of-Duty Disability:

All Members

Eligibility No age or service requirements. (§31720)

Benefit Formula 50% of the Final Compensation or 100% of Service Retirement benefit, if greater. (§31727.4)

Pre-Retirement Death:

All Members

Eligibility None.

Benefit Refund of employee contributions with interest plus one month's compensation for each year of service to a maximum of six month's compensation. (§31781) A lump sum benefit in the amount of $1,000 is payable upon death of a member (with 10 years of service) to his/her eligible beneficiary. (§31790)

Death in line of duty 50% of Final Compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor-children. (§31787).

OR

Vested Members

Eligibility Five years of service.

Benefit 60% of the greater of Service or Ordinary Disability Retirement benefit payable to eligible surviving spouse (§31765.1, §31781.1), in lieu of §31781.

Summary of Major Plan Provisions

(Continued)

Death After Retirement:

All Members

Service or Ordinary Disability Retirement	60% of member's unmodified allowance continued to eligible spouse. (§31760.1) A lump sum benefit in the amount of $1,000 is payable upon death of a member (with 10 years of service) to his/her eligible beneficiary. (§31790) An eligible spouse is a surviving spouse who was married to the member at least one year prior to the date of retirement. (§31760.1)
Line-of-Duty Disability	100% of member's allowance continued to eligible spouse. (§31786) A lump sum benefit in the amount of $1,000 is payable upon death of a member (with 10 years of service) to his/her eligible beneficiary. (§31790)

Withdrawal Benefits:

Less than Five Years of Service	Refund of accumulated employee contributions with interest or earned benefit at age 70 (§31628). Effective January 1, 2003, a member may also elect to leave their contributions on deposit in the retirement fund. (§31629.5)
Five or More Years of Service	If contributions left on deposit, entitled to earned benefits commencing at any time after eligible to retire. (§31700)

Post-retirement Cost-of-Living Benefits:

Future changes based on Consumer Price Index to a maximum of 3% per year, excess "banked." (§31870.1)

Supplemental Benefit:

Non-vested supplemental COLA and medical benefits are also paid by the System to eligible retirees and survivors. These benefits have been excluded from this valuation.

Member Contributions:

Non-CalPEPRA General Plans:

Plan A

Basic	Provide for an average annuity at age 60 equal to 1/200 of FAS1. (§31621.5)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.

Plan B

Basic	Provide for an average annuity at age 60 equal to 1/120 of FAS3. (§31621)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.

Summary of Major Plan Provisions

(Continued)

Member Contributions (Continued):

Plans G, H, I and J

Basic	Provide for an average annuity at age 55 equal to 1/100 of FAS3 (FAS1 for Plans G and I). (§31621.8)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.

Plan M, N, O and P

Basic	Provide for an average annuity payable at age 60 equal to 1/120 of FAS3 (FAS1 for Plans M and O). (§31621)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.

Plan S

Basic	Provide for an average annuity at age 60 equal to 1/100 of FAS3. (§31621.2)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.

Non-CalPEPRA Safety Plans:

Plans E and Q

Basic	Provide for an average annuity at age 50 equal to 1/200 FAS1. (§31639.5)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.

Plans F and R

Basic	Provide for an average annuity at age 50 equal to 1/100 of FAS3. (§31639.25)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.

CalPEPRA Plans:

Plans T, U and V	50% of total Normal Cost rate.

Other Information:

Non-CalPEPRA Safety members with 30 or more years of service are exempt from paying member contributions. The same applies for General members hired on or before March 7, 1973.

Note: The summary of major plan provisions is designed to outline principal plan benefits as interpreted for purposes of the actuarial valuation. If the System should find the plan summary not in accordance with the actual provisions, the System should alert the actuary so that both can be sure the proper provisions are valued.

Experience Analysis

(Dollars in Thousands)

Gains & Losses in Actuarial Accrued Liabilities During Years Ended December 31, Resulting from Differences Between Assumed Experience & Actual Experience					
	Gains (or Losses) Per Year				
Type of Activity	**2009**	**2010**	**2011**	**2012**	**2013**
Retirements	–	–	–	–	–
Pay Increases	$77,858	$215,936	$154,946	$244,750	$294,326
Investment Income	(322,523)	(224,044)	(388,935)	(387,808)	176,930
Other	(14,931)	63,174	(38,159)	(19,979)	30,354
Gain (or Loss) During Year From Experience	$(259,596)	$55,066	$(272,148)	$(163,037)	$501,610
Nonrecurring Items: Plan Amendments and Assumption Changes	–	–	(363,842)	(934,619)	–
Correction to Include All Premium Pay Items	(228,051)	–	–	–	–
Composite Gain (or Loss) During Year	**$(487,647)**	**$55,066**	**$(635,990)**	**$(1,097,656)**	**$501,610**

Orange County Fire Authority OPEB Plan
Actuarial Certification

SECTION VIII. ACTUARIAL CERTIFICATION

The results set forth in this report are based on the actuarial valuation of the retiree medical program of Orange County Fire Authority (OCFA) as of July 1, 2012.

The valuation was performed in accordance with generally accepted actuarial principles and practices and in accordance with GASB Statements No. 43 & 45. We relied on census data for active employees and retirees provided to us by OCFA. We also made use of plan information, premium information, and enrollment information provided to us by OCFA.

The assumptions used in performing the valuation, as summarized in this report, and the results based thereupon, represent our best estimate of anticipated experience and actuarial cost of the retiree medical benefits program.

I am a member of the American Academy of Actuaries and believe I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Certified by:

Marilyn K. Jones, ASA, EA, MAAA, FCCA
Consulting Actuary

Date: ____4/10/2013______________


The Toll Roa
Customer Service

Section V
Statistical

A Legacy of Service

Transportation Corridor Agencies

Transportation Corridor Agencies

Better known as "The Toll Roads," the Transportation Corridor Agencies' 51 miles of free flowing routes comprise the largest network of toll roads in California and makes up 20 percent of Orange County's highway system. More than 250,000 motorists choose to drive The Toll Roads (State Routes 73, 133, 241 and 261) every day. Driving The Toll Roads helps maintain cleaner air, in large part, because they were designed to utilize "free flow" conditions to reduce congestion that would otherwise emit excess greenhouse gas emissions caused by congestion and idling.

Statistical Section Review

The Statistical Section of the Comprehensive Annual Financial Report provides additional information in order to promote a more comprehensive understanding of the financial statements, note disclosures and supplemental information.

The Governmental Accounting Standards Board (GASB) established five categories of information to be provided in the Statistical Section: Financial Trends, Revenues, Expenses, Demographic and Economic, and Operating Information.

This section provides multi-year trend information to facilitate an understanding of how OCERS as an organization has changed over time.

Schedule of Changes in Fiduciary Net Position

2004 – 2013

(Dollars in Thousands)

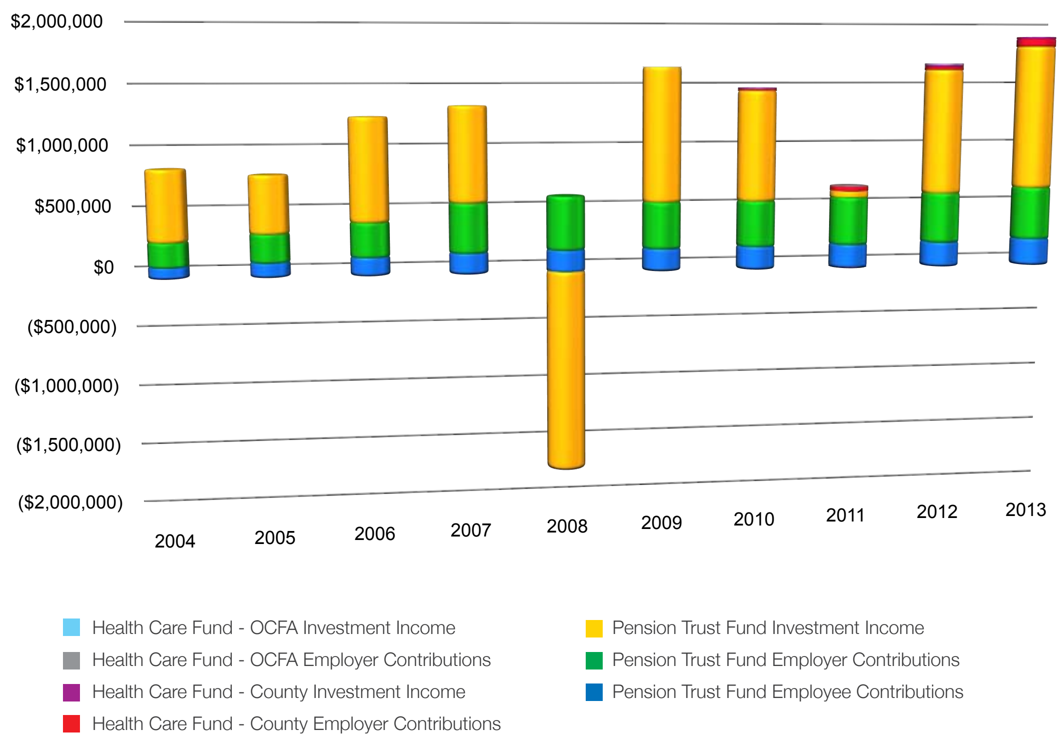
Years Ended December 31	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Additions										
Pension Trust Fund										
Employer Contributions	$ 194,430	$ 226,130	$277,368	$401,037	$433,911	$377,976	$372,437	$387,585	$406,805	$427,095
Employee Contributions	81,931	107,544	137,582	159,476	172,291	171,928	177,929	183,820	191,215	209,301
Investment Income	568,027	460,431	828,147	763,117	(1,627,177)	1,073,912	885,569	46,669	1,001,650	1,152,480
Net Securities Lending	857	1,425	1,317	3,452	6,145	3,989	1,849	1,703	2,007	1,454
Commission Recapture-Net/Other	116	123	736	1,773	1,249	2,161	1,124	2,084	1,113	2,033
Health Care Funds - County										
Employer Contributions	N/A	N/A	N/A	N/A	N/A	N/A	14,582	39,694	27,395	66,057
Investment Income	N/A	N/A	N/A	N/A	N/A	N/A	8,550	(664)	10,296	13,673
Net Securities Lending	N/A	N/A	N/A	N/A	N/A	N/A	18	18	21	20
Commission Recapture-Net/Other	N/A	N/A	N/A	N/A	N/A	N/A	11	23	12	29
Health Care Funds - OCFA										
Employer Contributions	N/A	N/A	N/A	N/A	N/A	N/A	3,634	3,660	3,590	18,349
Investment Income	N/A	N/A	N/A	N/A	N/A	N/A	1,356	(11)	1,734	1,956
Net Securities Lending	N/A	N/A	N/A	N/A	N/A	N/A	3	3	3	4
Commission Recapture-Net/Other	N/A	N/A	N/A	N/A	N/A	N/A	2	4	2	7
Total Additions	**$845,361**	**$795,653**	**$1,245,150**	**$1,328,855**	**$(1,013,581)**	**$1,629,966**	**$1,467,064**	**$664,588**	**$1,645,843**	**$1,892,458**
Deductions										
Pension Trust Fund										
Benefits	$ 238,529	$ 264,927	$318,666	$353,861	$419,502	$461,530	$459.383	$493,749	$541,154	$586,284
Administrative Expenses	9,463	9,953	17,145	10,381	11,006	10,947	12,368	12,828	14,209	15,025
Health Care Funds - County										
Benefits	N/A	N/A	N/A	N/A	N/A	N/A	25,514	26,250	27,089	28,293
Administrative Expenses	N/A	N/A	N/A	N/A	N/A	N/A	18	18	19	20
Health Care Funds - OCFA										
Benefits	N/A	N/A	N/A	N/A	N/A	N/A	2,158	2,649	2,804	2,550
Administrative Expenses	N/A	N/A	N/A	N/A	N/A	N/A	9	9	9	14
Total Deductions	**$247,992**	**274,880**	**$335,811**	**$364,242**	**$430,508**	**$472,477**	**$499,450**	**$535,503**	**$585,284**	**$632,186**
Changes in Fiduciary Net Position	**$597,369**	**$520,773**	**$909,339**	**$964,613**	**$(1,444,089)**	**$1,157,489**	**$967,614**	**$129,085**	**$1,060,559**	**$1,260,272**

N/A: Detailed information not available.

Schedule and Graph of Fiduciary Revenues by Source

2004 – 2013
(Dollars in Thousands)

Years Ended December 31	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Pension Trust Fund										
Employee Contributions	$81,931	$107,544	$137,582	$159,476	$172,291	$171,928	$177,929	$183,820	$191,215	$209,301
Employer Contributions	194,430	226,130	277,368	401,037	433,911	377,976	372,437	387,585	406,805	427,095
Investment Income[1]	569,000	461,979	830,200	768,342	(1,619,783)	1,080,062	888,542	50,456	1,004,770	1,155,967
Health Care Fund - County										
Employer Contributions	N/A	N/A	N/A	N/A	N/A	N/A	14,582	39,694	27,395	66,057
Investment Income[1]	N/A	N/A	N/A	N/A	N/A	N/A	8,579	(623)	10,329	13,722
Health Care Fund - OCFA										
Employer Contributions	N/A	N/A	N/A	N/A	N/A	N/A	3,634	3,660	3,590	18,349
Investment Income[1]	N/A	N/A	N/A	N/A	N/A	N/A	1,361	(4)	1,739	1,967
Total	**$845,361**	**$795,653**	**$1,245,150**	**$1,328,855**	**$(1,013,581)**	**$1,629,966**	**$1,467,064**	**$664,588**	**$1,645,843**	**$1,892,458**



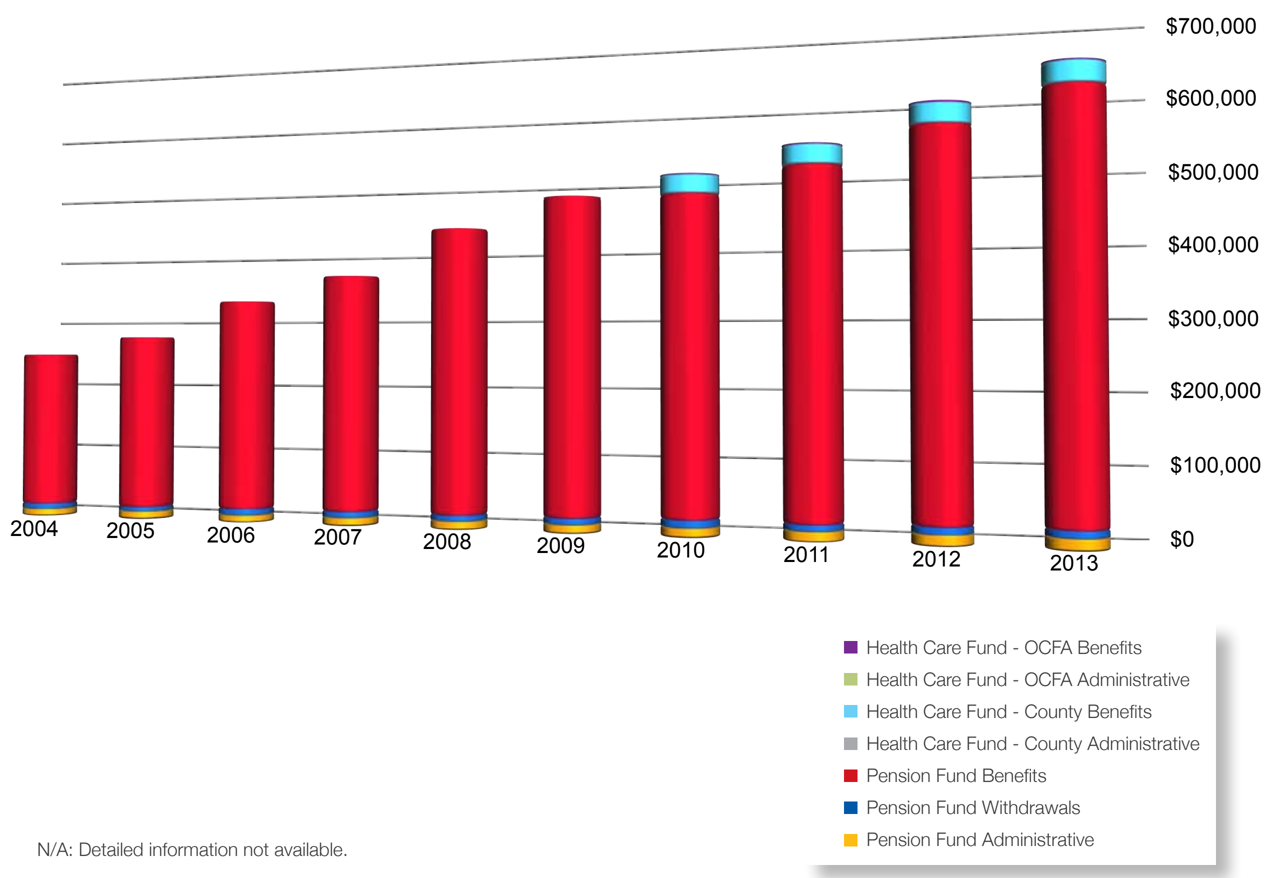
N/A: Detailed information not available.

[1] Investment Income includes net appreciation / (depreciation) less investment manager fees, security lending fees and commission recapture.

Schedule and Graph of Expenses by Type

2004 – 2013
(Dollars in Thousands)

Years Ended December 31	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Pension Trust Fund										
Administrative	$9,463	$9,953	$9,600	$10,381	$11,006	$10,947	$12,368	$ 12,828	$ 14,209	$15,025
Withdrawals										
Separation	6,982	6,439	8,073	8,007	7,022	7,604	8,566	6,833	8,078	7,516
Death	863	560	897	792	1,337	1,448	1,880	2,041	2,019	2,348
Benefits	230,684	257,928	309,696	345,062	411,143	452,478	448,937	484,875	531,057	576,420
Health Care Fund - County										
Administrative	N/A	N/A	N/A	N/A	N/A	N/A	18	18	19	20
Benefits	N/A	N/A	N/A	N/A	N/A	N/A	25,514	26,250	27,089	28,293
Health Care Fund - OCFA										
Administrative	N/A	N/A	N/A	N/A	N/A	N/A	9	9	9	14
Benefits	N/A	N/A	N/A	N/A	N/A	N/A	2,158	2,649	2,804	2,550
Total	**$247,992**	**$274,880**	**$328,266**	**$364,242**	**$430,508**	**$472,477**	**$499,450**	**$535,503**	**$585,284**	**$632,186**

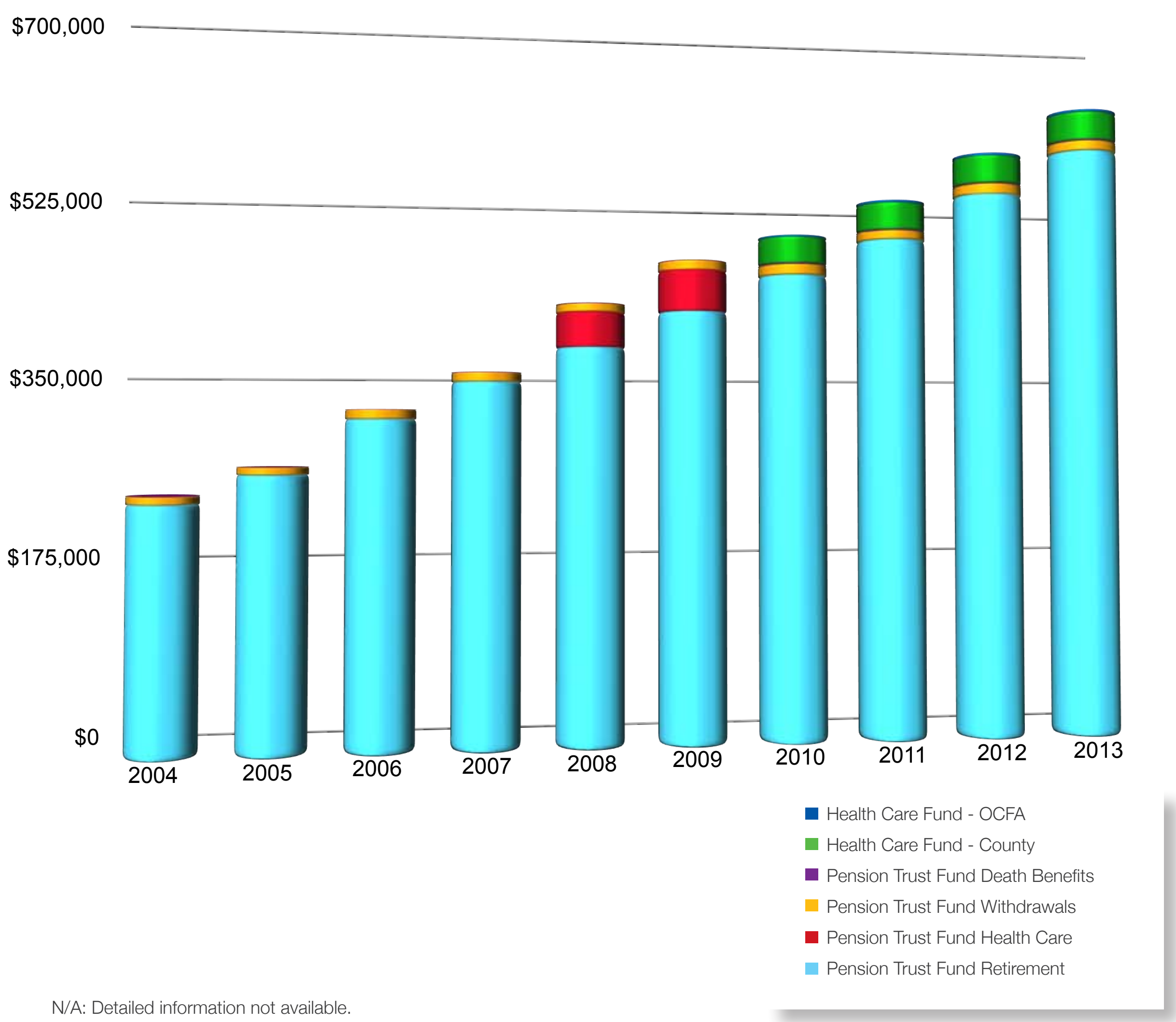


N/A: Detailed information not available.

Schedule and Graph of Benefit Expenses by Type

2004 – 2013
(Dollars in Thousands)

Years Ended December 31	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Pension Trust Fund										
Retirement	$230,225	$257,396	$309,102	$344,321	$376,937	$411,959	$448,099	$484,012	$530,269	$575,633
Health Care[1]	N/A	N/A	N/A	N/A	33,480	39,858	N/A	N/A	N/A	N/A
Withdrawals	7,845	6,999	8,970	8,799	8,359	9,052	10,446	8,874	10,097	9,864
Death Benefits	459	532	594	741	726	661	838	863	788	787
Health Care Fund - County										
Health Care	N/A	N/A	N/A	N/A	N/A	N/A	25,514	26,250	27,089	28,293
Health Care Fund - OCFA										
Health Care	N/A	N/A	N/A	N/A	N/A	N/A	2,158	2,649	2,804	2,550
Total	**$238,529**	**$264,927**	**$318,666**	**$353,861**	**$419,502**	**$461,530**	**$487,055**	**$522,648**	**$571,047**	**$617,127**



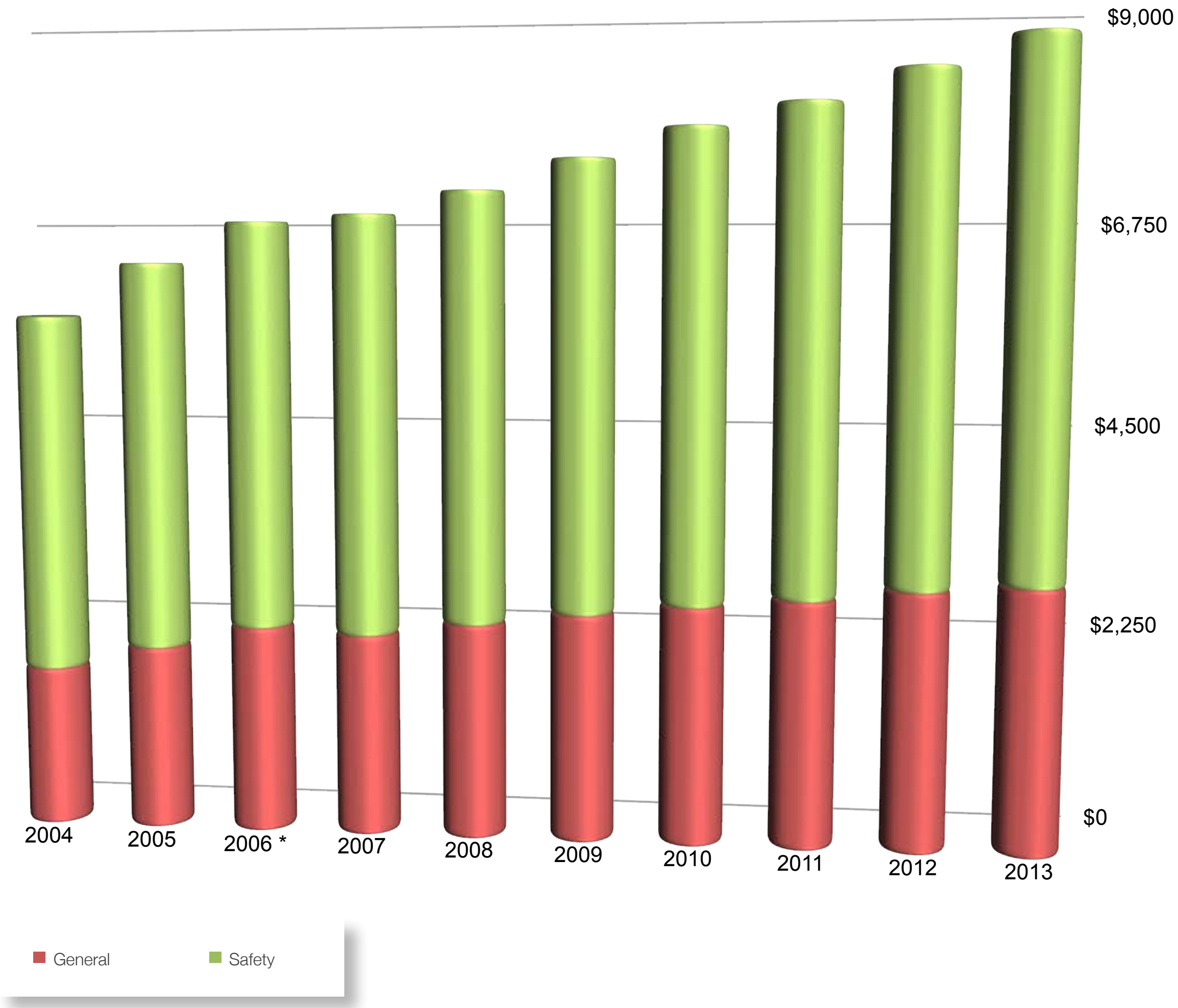
N/A: Detailed information not available.

[1] Health care benefits for 2008 and 2009 encompass all plans, including 401(h), which are reported as trust funds, and 115, which are reported as agency funds.

Schedule and Graph of Average Monthly Pension Check

2004 – 2013

Years Ended December 31	2004	2005	2006*	2007	2008	2009	2010	2011	2012	2013
General	$1,766	$2,031	$2,286	$2,228	$2,373	$2,508	$2,621	$2,714	$2,836	$2,924
Safety	$3,959	$4,283	$4,479	$4,618	$4,724	$4,926	$5,141	$5,297	$5,516	$5,679



* Year 2006 includes health grant

Source: OCERS's Pension Gold Information System

Schedule of Average Pension Benefit Payments by Years of Service

Service Retirement Effective Dates	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30 & Over
Period 1/1/04-12/31/04							
Average Monthly Pension Benefits	$ 328	$ 811	$ 1,134	$ 1,793	$ 3,075	$ 4,550	$ 6,183
Monthly Final Average Salary	$ 2,086	$ 3,697	$ 4,267	$ 4,536	$ 5,451	$ 6,188	$ 7,064
Number of Retired Members	19	37	77	69	70	61	87
Period 1/1/05-12/31/05							
Average Monthly Pension Benefits	$ 503	$ 731	$ 1,496	$ 2,316	$ 3,101	$ 4,760	$ 5,877
Monthly Final Average Salary	$ 3,253	$ 4,181	$ 4,585	$ 5,223	$ 5,227	$ 6,374	$ 6,567
Number of Retired Members	19	43	129	125	150	169	282
Period 1/1/06-12/31/06							
Average Monthly Pension Benefits	$ 448	$ 788	$ 1,608	$ 2,389	$ 3,368	$ 4,898	$ 6,112
Monthly Final Average Salary	$ 3,770	$ 4,031	$ 4,952	$ 5,198	$ 5,668	$ 6,474	$ 6,789
Number of Retired Members	15	46	129	167	129	174	155
Period 1/1/07-12/31/07							
Average Monthly Pension Benefits	$ 368	$ 817	$ 1,593	$ 2,407	$ 3,366	$ 5,626	$ 6,401
Monthly Final Average Salary	$ 2,213	$ 4,206	$ 5,065	$ 5,239	$ 5,714	$ 7,219	$ 7,223
Number of Retired Members	16	45	110	111	100	145	104
Period 1/1/08-12/31/08							
Average Monthly Pension Benefits	$ 321	$ 876	$ 1,784	$ 2,451	$ 3,793	$ 5,323	$ 7,687
Monthly Final Average Salary	$ 2,539	$ 4,166	$ 5,512	$ 5,330	$ 6,484	$ 6,864	$ 8,424
Number of Retired Members	19	31	83	90	78	91	97
Period 1/1/09-12/31/09							
Average Monthly Pension Benefits	$ 381	$ 950	$ 1,821	$ 2,716	$ 3,711	$ 5,852	$ 7,467
Monthly Final Average Salary	$ 3,766	$ 4,228	$ 5,564	$ 6,006	$ 6,417	$ 7,669	$ 8,378
Number of Retired Members	26	45	102	87	110	106	124
Period 1/1/10-12/31/10							
Average Monthly Pension Benefits	$ 587	$ 986	$ 1,855	$ 2,929	$ 4,046	$ 5,922	$ 6,856
Monthly Final Average Salary	$ 3,666	$ 4,800	$ 5,537	$ 6,291	$ 6,962	$ 7,764	$ 7,741
Number of Retired Members	23	45	108	106	130	127	129
Period 1/1/11-12/31/11							
Average Monthly Pension Benefits	$ 678	$ 1,057	$ 1,689	$ 3,054	$ 4,257	$ 5,910	$ 6,766
Monthly Final Average Salary	$ 4,843	$ 5,825	$ 5,475	$ 6,497	$ 7,314	$ 7,874	$ 7,650
Number of Retired Members	16	55	111	86	120	123	155
Period 1/1/12-12/31/12							
Average Monthly Pension Benefits	$ 647	$ 1,142	$ 1,701	$ 2,957	$ 4,058	$ 5,802	$ 7,015
Monthly Final Average Salary	$ 5,988	$ 5,398	$ 5,672	$ 6,347	$ 6,759	$ 7,702	$ 7,750
Number of Retired Members	20	71	128	88	187	145	172
Period 1/1/13-12/31/13							
Average Monthly Pension Benefits	$ 435	$ 1,166	$ 2,039	$ 2,946	$ 3,794	$ 6,409	$ 7,732
Monthly Final Average Salary	$ 8,199	$ 6,347	$ 6,458	$ 6,492	$ 6,431	$ 8,432	$ 8,482
Number of Retired Members	29	55	139	82	161	147	131

Source: OCERS's Pension Gold Information System

Schedule of Pension Benefit Recipients by Type of Benefit

December 31, 2013

Monthly Benefit	1	2	3	4	5	6	7	Total
$1 – 500	611	125	3	4	15	69	27	854
$501 – 1,000	1,127	247	-	42	41	79	125	1,661
$1,001 – 1,500	1,264	176	25	91	26	59	88	1,729
$1,501 – 2,000	1,081	136	113	61	19	40	42	1,492
$2,001 – 2,500	1,023	108	246	23	32	38	18	1,488
$2,501 – 3,000	814	85	186	19	26	21	16	1,167
$3,001 – 3,500	689	50	103	5	13	13	4	877
$3,501 – 4,000	574	31	109	5	16	10	5	750
$4,001 – 4,500	528	20	89	5	4	5	8	659
$4,501 – 5,000	502	24	32	-	4	4	3	569
$5,001 – 5,500	430	8	39	4	4	2	3	490
$5,501 – 6,000	391	10	19	1	-	-	1	422
$6,001 – 6,500	320	10	13	1	4	-	-	348
$6,501 – 7,000	309	5	19	-	2	-	2	337
Over $7,000	1,563	11	76	2	9	-	1	1,662
Total	**11,226**	**1,046**	**1,072**	**263**	**215**	**340**	**343**	**14,505**

Definition of Terms

Eligible Spouse: A member's spouse is considered eligible if the member has been legally married for at least one year at the time of retirement and remains married throughout the member's retirement. Eligible Spouse also includes Qualified Domestic Partner registered in accordance with applicable Family Law provisions.

Eligible Child: An eligible child is an unmarried child under the age of 18, or under the age of 22 if a full-time student. This includes adopted children. Eligible Child can also include a stepchild living or domiciled with the member at the time of the member's death for purposes of an active member Nonservice-connected or Service-connected death benefit only.

Types of Retirement Benefit

1. Normal Retirement for Age and Service
2. Survivor Payment - Normal Retirement
3. Service-Connected Disability Retirement
4. Nonservice-Connected Disability Retirement
5. Survivor Payment - Disability Retirement
6. DRO (Domestic Relations Order payees)
7. Active Deaths

Source: OCERS's Pension Gold Information System

Schedule of Pension Benefit Recipients by Option Selected

December 31, 2013

Monthly Benefit	JSURV	SL100	SL60	SLIFE	SLR60	UNMJS	Total
$1-500	190	-	4	258	1	401	854
$501-1,000	356	-	21	476	11	797	1,661
$1,001-1,500	409	-	22	470	5	823	1,729
$1,501-2,000	382	1	7	432	4	666	1,492
$2,001-2,500	436	1	6	435	-	610	1,488
$2,501-3,000	359	2	4	339	-	463	1,167
$3,001-3,500	328	-	-	224	-	325	877
$3,501-4,000	258	4	-	194	-	294	750
$4,001-4,500	248	3	-	166	-	242	659
$4,501-5,000	263	-	1	155	-	150	569
$5,001-5,500	235	1	-	122	-	132	490
$5,501-6,000	228	-	-	112	-	82	422
$6,001-6,500	172	-	-	103	-	73	348
$6,501-7,000	188	-	1	76	-	72	337
Over $7,000	1,014	1	-	283	-	364	1,662
Total	**5,066**	**13**	**66**	**3,845**	**21**	**5,494**	**14,505**

Definition of Options

JSURV: Contingent joint survivor.

SL100: Single life with 100% joint survivor adjustment.

SL60: Single life with 60% adjustment.

SLIFE: Lifetime payment.

SLR60: Single life with 60% adjustment with reduction.

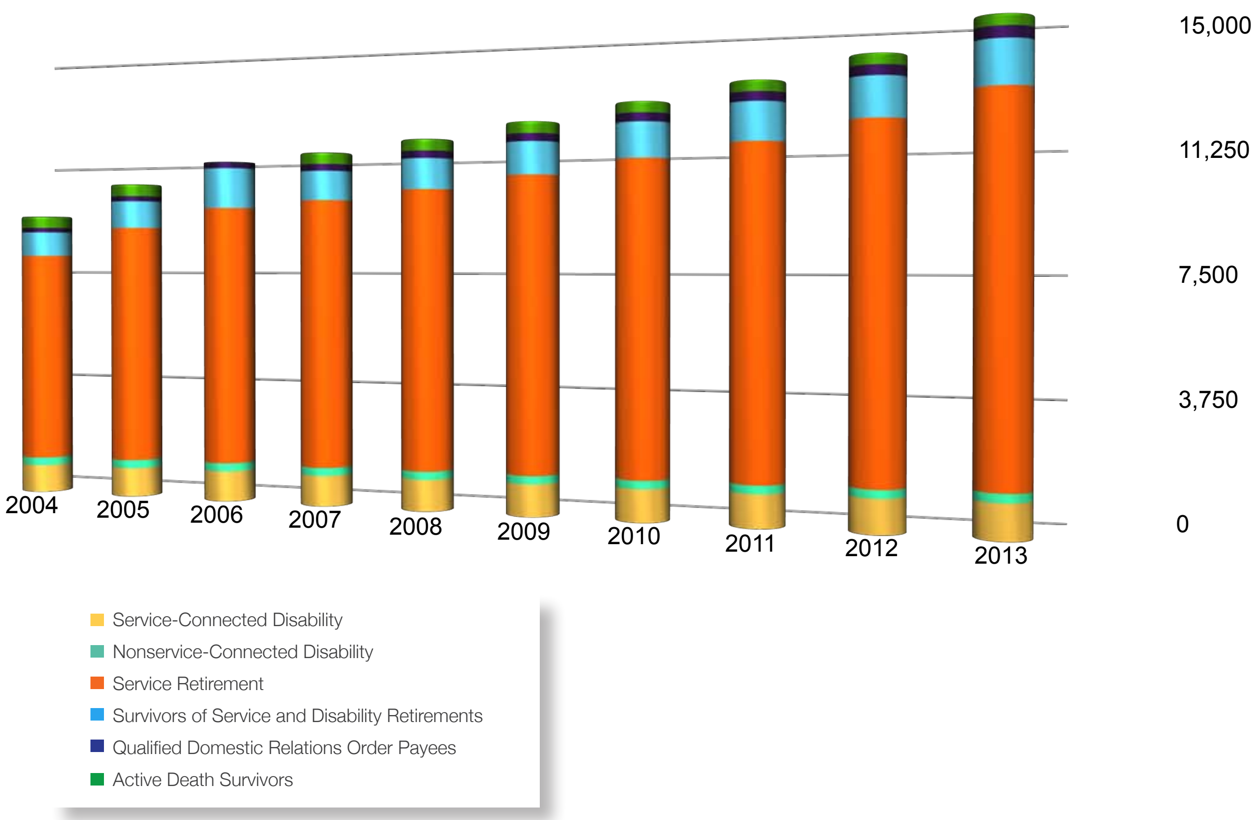
UNMJS: Unmodified with joint survivor.

Source: OCERS's Pension Gold Information System

Schedule and Graph of Pension Benefit Recipients

2004 - 2013

Years Ended December 31	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Service-Connected Disability	918	953	986	986	1,009	1,022	1,027	1,032	1,059	1,072
Nonservice-Connected Disability	258	269	269	257	258	252	254	259	260	263
Service Retirement	6,906	7,799	8,403	8,636	8,924	9,322	9,767	10,189	10,739	11,226
Survivors of Service and Disability Retirements	804	894	1,310	946	978	1,031	1,079	1,160	1,221	1,261
Qualified Domestic Relations Order Payees	153	174	203	221	238	248	272	289	314	340
Active Death Survivors	394	399	11	374	371	368	363	360	354	343
Total	**9,433**	**10,488**	**11,182**	**11,420**	**11,778**	**12,243**	**12,762**	**13,289**	**13,947**	**14,505**



Source: OCERS's Pension Gold Information System

Schedule of Average Retirement Age

2004 - 2013

Years Ended December 31	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General	60.28	59.69	59.83	60.07	59.82	60.31	60.55	60.65	60.42	61.32
Safety	54.53	54.95	54.12	54.47	54.03	54.98	54.18	54.56	54.33	54.80

Schedule of Average Years of Service at Retirement

2004 - 2013

Years Ended December 31	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General	19.59	23.59	21.17	20.04	20.44	20.79	20.53	20.82	20.88	20.00
Safety	23.52	22.94	23.09	24.66	23.77	22.63	23.91	25.27	24.41	24.25

Schedule of Beneficiaries Receiving a Pension

2004 - 2013

Years Ended December 31	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General	1,089	1,175	1,200	1,190	1,214	1,253	1,286	1,352	1,398	1,503
Safety	109	118	121	130	135	146	156	168	177	187
Total	**1,198**	**1,293**	**1,321**	**1,320**	**1,349**	**1,399**	**1,442**	**1,520**	**1,575**	**1,690**

Schedule of Active and Deferred Members

2004 - 2013

Years Ended December 31	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General										
Active	18,935	18,812	19,101	19,803	19,795	18,873	18,155	17,717	17,559	17,637
Deferred	1,763	2,213	2,911	3,353	3,560	3,707	3,905	3,998	3,980	4,205
Safety										
Active	3,567	3,653	3,649	3,815	3,925	3,760	3,587	3,704	3,730	3,731
Deferred	147	196	267	293	321	387	403	408	402	408
Total	**24,412**	**24,874**	**25,928**	**27,264**	**27,601**	**26,727**	**26,050**	**25,827**	**25,671**	**25,981**

Source: OCERS's Pension Gold Information System

Schedule of Participating Employers - Pension Plan

2004 - 2013

Years Ended December 31		Total	Orange County	OCTA	Superior Court[1]	Fire Authority	OC Sanitation District	City of San Juan Capistrano	TCA	All Other Sponsors
2004	# of Covered Employees	22,502	16,908	2,048	1,458	1,061	593	102	92	240
	% to Total System	100%	75.14%	9.10%	6.48%	4.72%	2.64%	0.45%	0.41%	1.07%
2005	# of Covered Employees	22,465	16,776	1,976	1,617	1,066	602	90	94	244
	% to Total System	100%	74.68%	8.80%	7.20%	4.75%	2.68%	0.40%	0.42%	1.09%
2006	# of Covered Employees	22,750	16,971	1,940	1,726	1,092	603	91	86	241
	% to Total System	100%	74.60%	8.53%	7.59%	4.80%	2.65%	0.40%	0.38%	1.06%
2007	# of Covered Employees	23,618	17,702	2,012	1,845	1,116	598	93	86	166
	% to Total System	100%	74.95%	8.52%	7.81%	4.73%	2.53%	0.39%	0.36%	0.70%
2008	# of Covered Employees	23,720	17,798	2,022	1,812	1,121	615	93	93	166
	% to Total System	100%	75.03%	8.52%	7.64%	4.73%	2.59%	0.39%	0.39%	0.70%
2009	# of Covered Employees	22,633	17,021	1,836	1,711	1,114	611	88	92	160
	% to Total System	100%	75.20%	8.11%	7.56%	4.92%	2.70%	0.39%	0.41%	0.71%
2010	# of Covered Employees	21,742	16,486	1,639	1,635	1,064	594	87	79	158
	% to Total System	100%	75.83%	7.54%	7.52%	4.89%	2.73%	0.40%	0.36%	0.73%
2011	# of Covered Employees	21,421	16,084	1,549	1,638	1,244	596	80	80	150
	% to Total System	100%	75.09%	7.23%	7.65%	5.81%	2.78%	0.37%	0.37%	0.70%
2012	# of Covered Employees	21,289	16,118	1,509	1,569	1,195	596	80	74	148
	% to Total System	100%	75.70%	7.09%	7.37%	5.61%	2.80%	0.38%	0.35%	0.70%
2013	# of Covered Employees	21,368	16,281	1,519	1,492	1,185	587	81	77	146
	% to Total System	100%	76.19%	7.11%	6.98%	5.55%	2.75%	0.38%	0.36%	0.68%

[1] Orange County Superior Court became a separate agency in 2004.

Source: OCERS's Pension Gold Information System

History of Actuarial Assumption Rate

For the Period January 1945 - December 2013

The table shown below is a comprehensive history of the interest rate assumption and the salary assumption rates corresponding to the Orange County Employees Retirement System since the inception of the System. These rates are adopted by the Retirement Board and used by the consulting actuary in the creation of the actuarial valuation of the System.

Specifically, the interest rate assumption estimates the rate at which the funds of the System's investment portfolio will realize earnings over many years into the future. The salary assumption rate estimates the relative increases in the salary of a member from the date of the valuation to the estimated date of separation of the member from active service.

Effective Date	Interest Rate	Salary Assumption Rate
1/1/1945	2.50%	0.00%
7/1/1962	3.50%	0.00%
12/31/1965	4.00%	0.00%
7/1/1969	4.50%	0.00%
6/30/1970	5.00%	0.00%
8/31/1973	5.75%	0.00%
7/1/1975	6.00%	0.00%
7/1/1981	7.25%	5.00%
7/1/1989	7.50%	5.50%
7/1/1991	8.00%	6.00%
7/1/1996	8.00%	3.50%
7/1/2000	8.00%	5.50%
7/1/2003	7.50%	4.50%
12/31/2004	7.75%	3.50%*
12/31/2007	7.75%	3.50%**
12/31/2011	7.75%	3.50%***
12/31/2012	7.25%	3.25%****
12/31/2013	7.25%	3.25%****

* Inflation per year plus merit and promotion increases ranging from 0.6% to 0.7%

** Inflation per year plus merit and promotion increases ranging from 1% to 10%

*** Inflation per year plus 0.25% across-the-board real salary increases plus merit and promotion increases ranging from 1% to 14%

**** Inflation per year plus 0.50% across-the-board real salary increases.

Source: The Segal Company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Section VI

Glossary

Superior Court of California, County of Orange

The Superior Court of California, County of Orange, provides judicial and court services for Orange County residents and visitors. The court employs 1,500 people in more than 100 different job classifications to perform a wide range of functions including accounting, office and courtroom support, technology services, family mediation services, and administrative management. The court operates five justice centers located in Santa Ana, Orange, Fullerton, Westminster and Newport Beach. In 2013, more than 540,000 cases were filed with the court; of these, more than 375,000 were traffic/infractions.

Glossary of Terms

Accumulated Plan Benefits
Benefits attributable under the provisions of a pension plan to employees for services rendered to the benefit information date.

Actuarial Assumptions
Assumptions used in the actuarial valuation process as to the occurrence of future events affecting pension costs, such as mortality, withdrawal, disablement and retirement; changes in compensation and national pension benefits; rates of investments earnings and asset appreciation of depreciation: procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods and other relevant items.

Accrual Basis
The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

Actuarial Accrued Liability
The portion, as determined by a particular cost method, of the total present value of benefits that is attributable to past service credit.

Actuarial Gain (Loss)
A measure of the difference between actuarial and expected experience based upon a set of actuarial assumptions. Examples include higher than expected salaries increases (loss) and a higher return on fund assets than anticipated (gain).

Actuarial Present Value
The discounted value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.

Amortization
(1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

Comprehensive Annual Financial Report (CAFR)
The official annual report of a government. It includes the basic financial statements and their related notes prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, required supplementary information, extensive introductory material and a detailed statistical section.

Entry Age Actuarial Cost Method
A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on the level basis over the earnings or services of the individual between entry age and assumed exit age(s).

Independent Auditor's Report
In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the basic financial statements in conformity with generally accepted accounting principles (GAAP).

Normal Cost
The ongoing annual cost allocated to the system by a particular actuarial cost method for providing benefits (future cost). Normal cost payments are made during the working lifetime of the member.

Pension Contribution
The amount paid into a pension plan by an employer (or employee), pursuant to the terms of the plan, state law, actuarial calculations or some other basis for determinations.

Pension Trust Fund
A fund used to account for public employee retirement benefits. Pension trust funds use the accrual basis of accounting and have a capital maintenance focus.

Unfunded Actuarial Accrued Liability (UAAL)
The excess of the actuarial accrued liability over the actuarial value of assets.

UAAL Amortization Payment
The portion of pension contributions, which is designed to pay off (amortize) the UAAL in a systematic fashion. Equivalently, it is a series of periodic payments required to pay off a debt.

Orange County Employees Retirement System
2223 East Wellington Avenue, Suite 100
Santa Ana, CA 92701-3161

714.558.6200

www.ocers.org