

At Your SERVICE

NEWSLETTER FOR MEMBERS OF THE ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM April 2020

Board of Retirement Approves 3% COLA



At its regular meeting held on February 10, 2020, OCERS' Board of Retirement approved a 3 percent Cost-of-Living Adjustment (COLA) for payees. The increase, effective April 1, will be reflected on the May 1, 2020 payment.

For 2020, the 3 percent COLA is based upon a change in the Consumer Price Index (CPI) of 3.07 percent, which was rounded to 3 percent as required by statute and provides that a maximum COLA of 3 percent be granted.

OCERS has recently posted a fun and informative animated video on the COLA. Simply go to OCERS' website and find the video titled "Cost-of-Living Adjustment (COLA) and 'Cola Bank'." The short video explains how the CPI impacts the COLA and the importance of the COLA to OCERS payees. Thanks to the COLA, payees will have the same purchasing power and be able to buy the same goods that they did last year.

How significant is that? For example, let's say that a member retires at age 62, with a benefit of \$2,000 per month. And let's say that inflation averages about 3 percent per year after he or she retires. Without any type of COLA, their purchasing power will fall to about \$1,500 – a 22% drop by age 70. By the age 85 the purchasing power will fall to just \$993 – less than half the value of the initial benefit. That means the retiree will be able to purchase only half the amount of goods that they were able to buy when they retired.

Fortunately, the damaging effects of inflation are well understood and active members and employers share in pre-funding the COLA for the payees' retirement years.

Not all retirement systems (including other public plans here in California) have a COLA built into the system like the one here at OCERS. So it's important for members to get information on their COLA from OCERS, including our website and team members.

Find it online!

Visit the "Latest News" section of our website for updates on OCERS operations during the Coronavirus (COVID-19) outbreak.



Members of the Board of Retirement

Roger Hilton, Chair
Shawn Dewane, Vice Chair
Frank Eley
Shari L. Freidenrich, CPA
Arthur Hidalgo
Wayne Lindholm
Charles E. Packard
Chris Prevatt
Adele Tagaloa
Jeremy Vallone

Chief Executive Officer

Steve J. Delaney

Chief Investment Officer

Molly A. Murphy, CFA

Assistant Chief Executive Officer, External Operations

Suzanne Jenike

Assistant Chief Executive Officer, Finance and Internal Operations

Brenda Shott, CPA

General Counsel

Gina Ratto

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

Comments and suggestions should be directed to:
Communication@ocers.org

Board of Retirement and Committee Meetings
and Agendas can be found online at
ocers.org

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

The Value of OCERS

More people than ever are recognizing the importance of retirement security as they plan for the future. For members of OCERS and other public pension plans across the United States, the key role that retirement security plays in their own lives has the additional benefit of helping millions of other Americans as well.

A study released by the National Institute on Retirement Security (NIRS) in 2019 reveals the positive impact defined benefit (DB) pensions have in the United States. Retiree spending of pension benefits in 2016 generated \$1.2 trillion in total economic output, supporting approximately 7.5 million jobs across the U.S. Pension spending also added a total of \$202.6 billion to government coffers, as taxes were paid at federal, state and local levels on retirees' pension benefits and their spending in 2016.

"The analysis shows that virtually every state and local economy across the country benefits from the spending when retirees spend their pension benefits," said Diane Oakley, NIRS executive director.

For example, when a retired nurse, firefighter or bus driver receives a pension benefit payment, he or she spends the pension check on goods and services in their local community. That can include clothing, medicine, an automobile, smart phone or new computer. These purchases, combined with those of other retirees with pensions, create a steady economic ripple effect.

A comprehensive overview of the study is available at:
www.nirsonline.org.

The National Institute on Retirement Security is a non-profit, non-partisan organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers and the economy as a whole.

Follow us on



Coronavirus Pandemic: Safety is Our #1 Concern

By Steve Delaney, Chief Executive Officer

Since December 2019, the world has been grappling with the growing Coronavirus pandemic. OCERS has closely followed the guidance to public employers provided by the Center for Disease Control (CDC) and the California Public Health Department in doing what we can to safeguard the health of our members, employers and OCERS staff.

I want to take this opportunity to provide each of you with an update on the actions that OCERS has taken to help prevent the spread of the virus and support the health and well-being of our community.

In addition to increased cleaning and sanitizing procedures at our office, we have followed CDC guidelines to minimize gatherings and in-person contact during this outbreak. Beginning on March 17, OCERS was closed to the public. Additionally, we suspended our upcoming Pre-Retirement Sessions and lunchtime Empower Retirement Seminars held at our office through at least Friday, April 17.

As soon as public health officials determine that public gatherings can proceed, we will resume the meetings and provide updates on our website. In the meantime, we worked with our partners (including the Social Security Administration, County of Orange and others) to provide the presentations online at: <https://www.ocers.org/pre-retirement-sessions>.

We also want to encourage those of you preparing for retirement to utilize our online resources including the myOCERS member portal and availability of the Member Services team over the phone to assist you during the crisis. Remember, you can always reach out to us with any retirement questions you have by calling 714-558-6200.

Thank you for your service to the citizens of Orange County and our many other participating public employers, and also for your patience and understanding of our modified operations during this pandemic. We are privileged to serve each of you.





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

PRSRRT STD
U.S. Postage
PAID
Permit #336
Anaheim, CA

OCERS' 2019 Year in Review

2019 was a very strong year for global markets, with global equity markets all returning in excess of 20%. The U.S. produced the strongest returns with the S&P 500 Index closing the year up over 30%. Bond markets also saw positive returns with the U.S. Treasury Bond gaining over 15% year-over-year.

OCERS has a diversified portfolio, participating in both public stock and bond markets and private markets, such as real estate and private equity. In 2019, the OCERS portfolio returned 14.4% net of fees, more than double its expected return of 7%. While robust, OCERS' performance did lag the returns of peer pension funds for the year.



As a reminder, OCERS has maintained a conservative investment plan, given the 11-year duration of the post-Global Financial Crisis bull market run. The OCERS portfolio has a lower allocation to global stocks than most peer pension plans have and thus will lag in strong markets, and protect on the downside when markets drop. We believe that valuations as of December 31, 2019 show indications of a late-cycle rally and are cautious that the next stage for global markets will be downward. OCERS is prepared for a down cycle and has the safety and security of our member benefits in our sights.

Did you know?
OCERS has a number of new videos on our website



Check out the member profiles and animated whiteboard videos



View them all on the "Video Library" at ocers.org