

## Via Email

May 30, 2025

Mr. Steve Delaney  
Chief Executive Officer  
Orange County Employees Retirement System  
2223 Wellington Avenue  
Santa Ana, CA 92701-3101

**Re: Orange County Employees Retirement System (OCERS)  
Reconciliation of the Plan's December 31, 2024 Net Pension Liability (NPL) and  
Unfunded Actuarial Accrued Liability (UAAL)**

Dear Steve:

We have been requested by OCERS to reconcile, for each Rate Group, the December 31, 2024 Net Pension Liability (NPL) and the Unfunded Actuarial Accrued Liability (UAAL) as shown in the December 31, 2024 Governmental Accounting Standards Board (GASB) Statement 67 addendum letter and funding valuation report, respectively. (The breakdown of the NPL as disclosed in the GASB 67 addendum letter also appears in our GASB 68 financial report.)

The reconciliation is provided in Attachment A of this letter. The difference between the NPL and the UAAL is a direct result of the different liability and asset values we used in those developments.

## Liability

The Total Pension Liability (TPL) shown in the GASB 67 addendum letter was measured based on the December 31, 2023 demographic data by: (i) rolling forward the liability from December 31, 2023 to December 31, 2024 and (ii) assuming that the actuarial experience of the System would match with that anticipated by the demographic assumptions. On the other hand, the Actuarial Accrued Liability (AAL) shown in the funding valuation report was measured based on the December 31, 2024 demographic data.

The differences between the TPL and the AAL were primarily due to: (a) actuarial gains/losses on the liability items as documented in *Section 4, Exhibit 6* of the December 31, 2024 funding valuation report for each Rate Group and (b) differences between the rolled forward liabilities and the actual liabilities.

## Assets

The Plan Fiduciary Net Position (FNP) shown in the GASB 67 report as of December 31, 2024 (that we subsequently used for our GASB 67 addendum letter) was based on the plan's Market

Value of Assets (MVA) including the proceeds available in the County Investment Account and O.C. Sanitation District (OCSD) UAAL Deferred Account. On the other hand, the funding valuation report used the Valuation Value of Assets (VVA) after adjusting the MVA for asset smoothing and excludes the proceeds available to the County Investment Account and the OCSD UAAL Deferred Account.\*

The Plan FNP and the VVA were also different due to the adjustment for the deferred investment gain.

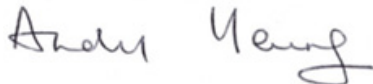
## Results

The NPL and UAAL were calculated by taking the TPL and the AAL and subtracting the Plan FNP and the VVA, respectively.

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standard of the American Academy of Actuaries to render the actuarial opinion contained herein.

Please let us know if you have any questions or comments.

Sincerely,



Andy Yeung, ASA, MAAA, FCA, EA  
Vice President and Actuary



Molly Calcagno, ASA, MAAA, EA  
Senior Actuary

JY/bbf

cc: Tracy Bowman  
Brenda Shott  
Jennifer Reyes

### Disclaimer

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\* There were no non-valuation reserves as of December 31, 2024.

## Attachment A: Reconciliation of the Plan's December 31, 2024 NPL and UAAL

Category	Rate Group #1	Rate Group #2	Rate Group #3	Rate Group #4
<b>(A) Liability Reconciliation</b>				
1. Total Pension Liability Included in the development of the GASB 67 Addendum Letter	\$586,535,610	\$15,475,058,042	\$986,314,812	\$32,660
2. (Gain)/Loss from (Lower)/Higher than Expected Salary Increases*	4,728,000	135,169,000	2,915,000	0
3. Loss from Higher-than-Expected COLA Increases*	183,000	8,233,000	522,000	0
4. Other Experience (Gain)/Loss*	738,000	18,020,000	(655,000)	0
5. Other (Gain)/Loss from Rolled Forward Liabilities to Actual Liabilities	(20,610)	2,032,958	11,188	(14,660)
<b>6. Actuarial Accrued Liability Included in the Funding Valuation Report (sum of items 1 through 5)</b>	<b>\$592,164,000</b>	<b>\$15,638,513,000</b>	<b>\$989,108,000</b>	<b>\$18,000</b>
<b>(B) Asset Reconciliation</b>				
1. Market Value of Assets Excluding County Investment Account and OCSD UAAL Deferred Account	\$555,603,760	\$12,525,184,723	\$1,005,327,064	\$18,076
2. County Investment Account and OCSD UAAL Deferred Account	4,653,030	97,713,630	17,594,000	0
3. Plan Fiduciary Net Position Included in the development of the GASB 67 Addendum Letter 1 + 2	560,256,790	12,622,898,353	1,022,921,064	18,076
4. Adjustment for Deferred Investment Return, Non-Valuation Reserve	(2,342,760)	(52,813,723)	(4,239,064)	(76)
<b>5. Valuation of Assets Included in the Funding Valuation Report 1 + 4</b>	<b>\$553,261,000</b>	<b>\$12,472,371,000</b>	<b>\$1,001,088,000</b>	<b>\$18,000</b>
<b>Net Pension Liability Shown in the GASB 67 Addendum Letter A1 – B3</b>	<b>\$26,278,820</b>	<b>\$2,852,159,689</b>	<b>\$(36,606,252)</b>	<b>\$14,584</b>
<b>Unfunded Actuarial Accrued Liability Shown in the Funding Valuation Report A6 – B5</b>	<b>\$38,903,000</b>	<b>\$3,166,142,000</b>	<b>\$(11,980,000)</b>	<b>\$0</b>

\* These actuarial gain/loss items can be found in *Section 4, Exhibit 6* of our December 31, 2024, funding valuation report.

Category	Rate Group #5	Rate Group #9	Rate Group #10	Rate Group #11
<b>(A) Liability Reconciliation</b>				
1. Total Pension Liability Included in the development of the GASB 67 Addendum Letter	\$1,267,825,734	\$68,471,401	\$351,626,619	\$16,575,964
2. (Gain)/Loss from (Lower)/Higher than Expected Salary Increases*	1,955,000	66,000	2,382,000	27,000
3. Loss from Higher than Expected COLA Increases*	651,000	43,000	232,000	9,000
4. Other Experience (Gain)/Loss*	(4,241,000)	(915,000)	(660,000)	75,000
5. Other (Gain)/Loss from Rolled Forward Liabilities to Actual Liabilities	224,266	599	40,381	(1,964)
<b>6. Actuarial Accrued Liability Included in the Funding Valuation Report (sum of items 1 through 5)</b>	<b>\$1,266,415,000</b>	<b>\$67,666,000</b>	<b>\$353,621,000</b>	<b>\$16,685,000</b>
<b>(B) Asset Reconciliation</b>				
1. Market Value of Assets Excluding County Investment Account and OCSD UAAL Deferred Account	\$1,092,938,487	\$71,581,832	\$336,172,506	\$16,376,051
2. County Investment Account and OCSD UAAL Deferred Account	0	0	0	0
3. Plan Fiduciary Net Position Included in the development of the GASB 67 Addendum Letter 1 + 2	1,092,938,487	71,581,832	336,172,506	16,376,051
4. Adjustment for Deferred Investment Return, Non-Valuation Reserve	(4,608,487)	(301,832)	(1,417,506)	(69,051)
<b>5. Valuation of Assets Included in the Funding Valuation Report 1 + 4</b>	<b>\$1,088,330,000</b>	<b>\$71,280,000</b>	<b>\$334,755,000</b>	<b>\$16,307,000</b>
<b>Net Pension Liability Shown in the GASB 67 Addendum Letter A1 – B3</b>	<b>\$174,887,247</b>	<b>\$(3,110,431)</b>	<b>\$15,454,113</b>	<b>\$199,913</b>
<b>Unfunded Actuarial Accrued Liability Shown in the Funding Valuation Report A6 – B5</b>	<b>\$178,085,000</b>	<b>\$(3,614,000)</b>	<b>\$18,866,000</b>	<b>\$378,000</b>

\* These actuarial gain/loss items can be found in *Section 4, Exhibit 6* of our December 31, 2024 funding valuation report.

Category	Rate Group #12	Rate Group #6	Rate Group #7	Rate Group #8	Total
<b>(A) Liability Reconciliation</b>					
1. Total Pension Liability Included in the development of the GASB 67 Addendum Letter	\$12,734,668	\$1,187,082,621	\$5,489,717,787	\$2,494,708,830	\$27,936,684,748
2. (Gain)/Loss from (Lower)/Higher than Expected Salary Increases*	(27,000)	30,217,000	145,778,000	(24,843,000)	298,367,000
3. Loss from Higher than Expected COLA Increases*	3,000	755,000	3,704,000	1,422,000	15,757,000
4. Other Experience (Gain)/Loss*	(61,000)	(83,000)	(9,724,000)	2,444,000	4,938,000
5. Other (Gain)/Loss from Rolled Forward Liabilities to Actual Liabilities	88,332	313,379	178,213	23,170	2,875,252
<b>6. Actuarial Accrued Liability Included in the Funding Valuation Report (sum of items 1 through 5)</b>	<b>\$12,738,000</b>	<b>\$1,218,285,000</b>	<b>\$5,629,654,000</b>	<b>\$2,473,755,000</b>	<b>\$28,258,622,000</b>
<b>(B) Asset Reconciliation</b>					
1. Market Value of Assets Excluding County Investment Account and OCSD UAAL Deferred Account	\$15,554,588	\$1,039,600,582	\$4,701,303,527	\$2,429,634,804	\$23,789,296,000
2. County Investment Account and OCSD UAAL Deferred Account	0	7,755,050	44,979,290	0	172,695,000
3. Plan Fiduciary Net Position Included in the development of the GASB 67 Addendum Letter 1 + 2	15,554,588	1,047,355,632	4,746,282,817	2,429,634,804	23,961,991,000
4. Adjustment for Deferred Investment Return, Non-Valuation Reserve	(65,588)	(4,383,582)	(19,823,527)	(10,244,804)	(100,310,000)
<b>5. Valuation of Assets Included in the Funding Valuation Report 1 + 4</b>	<b>\$15,489,000</b>	<b>\$1,035,217,000</b>	<b>\$4,681,480,000</b>	<b>\$2,419,390,000</b>	<b>\$23,688,986,000</b>
<b>Net Pension Liability Shown in the GASB 67 Addendum Letter A1 - B3</b>	<b>\$(2,819,920)</b>	<b>\$139,726,989</b>	<b>\$743,434,970</b>	<b>\$65,074,026</b>	<b>\$3,974,693,748</b>
<b>Unfunded Actuarial Accrued Liability Shown in the Funding Valuation Report A6 - B5</b>	<b>\$(2,751,000)</b>	<b>\$183,068,000</b>	<b>\$948,174,000</b>	<b>\$54,365,000</b>	<b>\$4,569,636,000</b>

\* These actuarial gain/loss items can be found in *Section 4, Exhibit 6* of our December 31, 2024 funding valuation report.