

# At Your Service

Orange County Employees Retirement System

Volume 6 Number 2 Magazine for all Members April 2007



**Winning the race:  
Seminar dates in  
Santa Ana and San  
Juan Capistrano  
scheduled**

**Retired Members  
to see 3% COLA in  
May**

# At Your Service



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

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Board of Retirement Meetings:  
All regular business meetings are held in OCERS  
Board Room at 8:30 a.m.

April 16, 2007	October 22, 2007
May 21, 2007	November 19, 2007
June 18, 2007	December 17, 2007
July 16, 2007	
August 27, 2007	

## REAOC Wants You!

If you are getting ready to retire, or have already retired, now is the best time to consider joining the Retired Employees Association of Orange County - better known as REAOC.



There are a number of important reasons you might want to consider joining REAOC:

- REAOC membership entitles retirees to enroll in dental insurance, vision insurance, and personal accident insurance.
- REAOC is an active member of the California Retired County Employees Association (CRCEA) which promotes and protects existing retirees' benefits.
- REAOC issues "The Informer," a newsletter published five times a year to keep members up-to-date on news and events that affect members' retirement benefits.
- REAOC hosts five luncheons per year that feature guest speakers discussing retiree issues. The events are also a great way to stay in touch with former colleagues and make new friends.
- REAOC dues are \$1 a month.
- More than 4,000 OCERS retirees are members of REAOC.

For more information on REAOC, call (714) 840-3995 or visit [www.reaoc.org](http://www.reaoc.org). If you have additional questions, you can also email REAOC at [reaoc@reaoc.org](mailto:reaoc@reaoc.org), or write REAOC at P.O. Box 1496, Brea, CA 92822-1496.



### CONSIDERING A NEW JOB?

If you are considering changing jobs and becoming employed with a public agency that is not covered by the Orange County Employees Retirement System (OCERS) there are some things you should consider. OCERS is reciprocal with certain other public retirement systems, which means that your service with an employer covered by one of the reciprocal retirement systems could assist you in meeting certain requirements under OCERS. For example, if you meet the requirements of reciprocity, which will be discussed below, you could use the reciprocal service you earn with another employer to count towards the eligibility requirements for Service Retirement or Nonservice-Connected Disability Retirement.

Reciprocity also allows you to use your highest final average salary from either system to calculate your retirement allowances from each system, provided you retire from both systems at the same time. Your retirement allowances from each system will only be based upon your actual service credit in that system. Reciprocity can also result in a lower contribution rate when you enter the second retirement system because your service is linked to service in the first retirement system, and your entry age into that first system is used in the second system to establish your contribution rate.

To qualify for reciprocity, you must terminate service with the first public agency, defer your retirement in the retirement system and leave your contributions on deposit, and enter service with the second public agency within 180 days. If these things occur, reciprocity is automatically established.

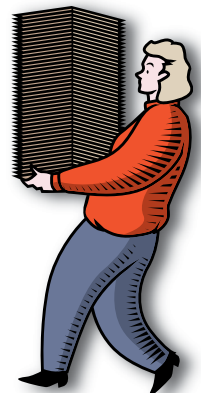
It is important that you do not have overlapping service between the public agency you left and the one you enter. This can sometimes occur when you are using up your sick leave or vacation leave and begin employment with the second public agency during that time. It can impact the ability of either or both of the retirement systems from establishing reciprocity. That's why it is important for you to discuss this with both employers and the retirement systems before changing jobs.

For more information on Reciprocity, see the brochure entitled "Reciprocity, A Guide for Reciprocal Benefits" in the Publications/Forms Section of OCERS' Web site at [www.ocers.org](http://www.ocers.org).

### **On the move? Please keep your employer and OCERS updated**

Is your address within your agency's payroll system correct? Please look at your most recent pay stub to verify that your home address is accurate. To correct your address, contact the Human Resources Specialist or Payroll Representative within your Agency/Department as soon as possible.

If you are a retiree and plan on moving, please make sure to contact OCERS as soon as possible to keep us updated with a current address and phone number so you continue to receive important information from us.



# Financial Strategy Seminars help prepare for future

If you are planning to retire within the next 3 to 30 years, you should plan to attend a free Financial Strategies for Retirement Planning Seminar.

The Financial Strategies for Retirement Planning Seminar consists of a three-session workshop. Each meeting will cover important topics for successful planning; individuals and couples are welcome to attend. The third meeting concentrates on information from an OCERS representative.

The seminar is generally held at OCERS, 2223 Wellington Avenue, Santa Ana. However, there is also a three-session seminar scheduled in San Juan Capistrano this spring (see story on page 8). The seminar is free, and there is plenty of free on-site parking for those attending. Various topics of interest and importance will be covered over the course of the three-session workshop.

Among the important topics covered in the comprehensive three-session workshop:

- Deferred Compensation investment choices
- Tax-free and low-cost investing for profit
- How to determine retirement goals
- Investment choices to consider in the current stock market

The third meeting of each workshop focuses on information relating to OCERS, including such topics as:

- Eligibility for Retirement
- Reciprocal benefits
- Enhanced benefit formulas such as 2.7% at 55 and 2.5% at 55
- Benefit calculations, and how to apply for your retirement benefits from OCERS
- How to determine your future OCERS benefit

Don't miss out on this valuable information. It will help you prepare for your future. The seminars are free, but reservations are required. To make your reservation to attend this seminar, please log on at [www.ocers.org](http://www.ocers.org) and click on "Retirement Seminars."

An important note: anyone registering for the Financial Strategy Seminar should plan on attending all three sessions. For more information on upcoming Financial Strategies for Retirement Planning Seminars, please call Catie Flores at Financial Management Specialists, (714) 245-1954.

## SCHEDULED DATES:

The Financial Strategy Seminar is a three-session workshop, and persons signing up should plan on attending all three sessions of the Workshop.

### Dates are as follows:

#### Workshop

Wednesdays

April 4, 11, and 18, 2007

6 – 9:30 p.m.

#### Workshop

Wednesdays

May 2, 9 and 16, 2007

6 – 9:30 p.m.

#### Workshop

Wednesdays

June 6, 13 and 20, 2007

6 – 9:30 p.m.

#### South Orange County Seminar in San Juan Capistrano

Thursdays

April 12, 19 and May 3, 2007

6 – 9:30 p.m.

# OCERS offers Pre-Retirement Planning Seminars

Now is the perfect time to begin thinking about your long-term financial well-being. Because when it comes to retirement planning, it's never too early – or too late – to get started. So no matter when you plan to retire, it is important to attend a Pre-Retirement Planning Seminar offered by OCERS.

The few hours you spend at the seminar can have a beneficial and long-lasting impact on your quality of life after you retire.

The Pre-Retirement Planning Seminar is generally held twice a month at OCERS, 2223 Wellington Ave., Santa Ana, and includes a presentation by an OCERS Retirement Program Specialist. The one-session, five-hour seminar is free, and there is plenty of free on-site parking for those attending.

Various topics of interest and importance to you will be covered. A representative from “Deferred Compensation” will be addressing options for withdrawing funds from your 457 plan; a Social Security representative will discuss your Social Security and Medicare benefits; a representative from Retiree Medical will discuss medical benefit options; and an OCERS Retirement Specialist will focus on your OCERS retirement plan. Among the topics covered by the OCERS representative:

- When you are eligible for retirement
- How to determine your future monthly benefit from OCERS
- How to determine OCERS-related benefits for your spouse or other eligible beneficiaries
- When should new retirees expect their first retirement check
- Reciprocal benefits for employees who have worked for two or more retirement systems
- How to enroll and use the Member Information Center
- Deferred Retirement
- Returning to work under OCERS after retirement
- Cost-of-living adjustments (COLA) after retirement
- How to schedule an appointment with an OCERS Retirement Program Specialist

Don't miss out on this valuable information. It will help you prepare for your future. The seminars are free, and no registration is necessary.

For more information, please log on at [www.ocers.org](http://www.ocers.org) and click on “Retirement Seminars.”

## SCHEDULED DATES:

These one-session seminars will be held from 8 a.m. to 1 p.m. on Wednesdays.

### Dates are as follows:

April 11, 2007

April 25, 2007

May 9, 2007

May 16, 2007

June 6, 2007

June 20, 2007

July 11, 2007

July 25, 2007

August 8, 2007

August 22, 2007

# Investment Return and Funding Update: Thinking Long-Term

By Keith Bozarth, Chief Executive Officer



OCERS completed its fiscal year December 31, and investment results were favorable for the fourth consecutive year. After the dramatic stock market downturn in 2000, 2001 and 2002, four positive years improve the pre-funding of promised benefits. The OCERS' fund balance was approximately \$7 Billion at year end.

Perspective on investment returns and funding of benefits is important. Investment returns do not tell the entire story of a retirement system's funding. Other experience, like retirement patterns, wage increases and mortality also are significant. Most important, one year's results do not tell the story. Retirement funding is a long-term proposition, just as the pension promised to employees is a lifetime promise.

We look at our investment earnings over multiple periods. Here are some of the relevant annualized return numbers.

1 Year	3 Year	5 Year	10 Year
13.55%	11.24%	9.30%	9.06%

These are pleasing results, but financial markets can be volatile and cyclical. Today's good or bad news can change quickly (witness recent market swings). A critical factor in assessing an investment program is the risk taken. OCERS historically has taken a very moderate amount of risk, and has excelled at the amount of return obtained in exchange for that risk. (See the article in the January 2007 *At Your Service*.)

What we seek is a long-term rate of return that provides the growth in the trust fund needed to meet future promises. Currently OCERS uses a 7.75% annual investment return assumption in planning for benefit funding – a budgeting tool.

OCERS will not see returns at that level every year. Some years will be above and some below, but we want to be near that number over a long period. That would mean our "budgeting" had been reasonably sound and the payments made by the taxpayers and employees are spread fairly evenly over time.

In funding benefits we address investment return variation in several ways. One tool is "smoothing." For each of the last four years the investment return was above the 7.75% assumption. Rather than immediately taking the excess into account, only 20% of the excess is counted each year. The remaining 80% is banked, so to speak, as a buffer against future years where returns may be lower than assumed. The process works in reverse if returns are below assumption. The amount banked by OCERS will be somewhere around \$325 Million after the 2006 results are incorporated.

See INVESTMENT on Page 7

# Retirees, survivors to see 3% COLA benefit on May 1

Retirees and other members who receive a monthly payment from OCERS will see a 3 percent cost of living adjustment (COLA) beginning with their May 1, 2007 monthly retirement allowance. The increase, designed to help ease the impact of inflation, was approved by the Board of Retirement at its regular meeting held Feb. 20, 2007.

Any OCERS member who retired on or before April 1, 2007 will receive the 3 percent COLA this year. A cost of living adjustment is made annually in accordance with changes in the Consumer Price Index (CPI) for the Orange County area. The CPI for the Orange County region in 2006 was 4.26 percent; the 1937 Act calls for cost-of-living increases to be rounded to the nearest one-half percent.

Any changes in the CPI over the maximum 3 percent are held in a COLA bank and are applied to retirees' benefits in a future year when the CPI change may be less than 3 percent. For example, if a member retired in March 2007, they would receive the maximum 3 percent on their May 1, 2007 payment, and the remaining 1.5 percent would be placed in the COLA bank. If in the second year of retirement, the CPI is 2 percent, the member would receive the maximum of 3 percent (with 1 percent coming from the COLA bank).

In April 2007, the Board of Retirement is scheduled to consider approval of the Supplemental Targeted Adjustment for Retirees, Cost of Living Adjustment - better known as STAR COLA. The purpose of STAR COLA is to restore purchasing power for retirees who have lost more than 20 percent of their purchasing power since retirement. It only applies to those who have been retired the longest - currently, those OCERS members who retired before April 2, 1981.

For more information on OCERS, visit [www.ocers.org](http://www.ocers.org).

## INVESTMENT: Funding Update

Continued from Page 6

Many in the financial community believe we may experience a period of lower investment returns in the coming years. If that happens, the approaches described above and highlighted below will help.

- Maintaining a long-term perspective on investing.
- Carefully determining the amount of risk taken.
- Focusing on efficient use of the risk taken.
- Banking gains to help cover potential losses.

All of these tools are important in the long-term task of funding benefit promises. Be pleased with recent results, and remember the race is a marathon. The retirement system works that way.



# Financial seminar coming to San Juan Capistrano

Even if you're many years away from retirement, now is the perfect time to begin making decisions that will have a dramatic impact on your retirement. It's next to impossible to predict exactly how the future will unfold, but reports from a comprehensive study reveal that you will likely need approximately 75-89 percent of your current income to safeguard your present lifestyle in retirement.

That study, released by Aon Consulting and Georgia State University in April 2004, found that many retirees would need more money than ever before because spending by retirees is actually on the rise. Updating research last compiled in 2001 and extending back to 1988, the data indicates that employees working today must invest significantly more for their golden years if they wish to sustain their current standard of living.



As part of our continuing efforts to provide all members with the tools to prepare for the future, OCERS and the City of San Juan Capistrano are co-hosting a special Financial Strategy Seminar for all members who live or work in South Orange County. While OCERS will continue to offer a monthly Financial Strategy Seminar at its office in Santa Ana (see story on page 4), a three-session workshop will be held at the City of San Juan Capistrano Community Center, 25925 Camino del Avion, San Juan Capistrano, from 6-9:30 p.m. on Thursdays, April 12, 19 and May 3. It is important to attend all three sessions.

To make your reservations to attend the upcoming Financial Strategy Seminar in San Juan Capistrano, direct your computer browser to [www.ocers.org](http://www.ocers.org) and click on the "Retirement Seminars" link. For more information on any of the free upcoming Financial Strategies Seminars, including those being held at OCERS in Santa Ana or at the San Juan Capistrano Community Center, see page 4 of this edition of *At Your Service*.

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