

At Your Service

Orange County Employees Retirement System

VOLUME 4 NUMBER 3 MAGAZINE FOR ALL MEMBERS August 2005



The facts about
Pension Funding

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.

August 29, 2005 October 24, 2005
November 21, 2005 December 19, 2005

Avoid retirement shock; begin planning for the future now

You face some difficult questions when you're planning for retirement. How much money will you need? Where will it come from? What effect will taxes and inflation have on your nest egg? Finding the right answers is critical if you're going to achieve your retirement goals.

According to the Employee Benefit Research Institute, 31 percent of working people today are worried about having enough money for retirement.

As an Orange County Employees Retirement System member, you're invited to attend an educational workshop entitled "Retire With Confidence." You'll get vital information to your questions as you learn how to plan for your retirement.

Topics will include the new realities you will face in retirement, the different sources of retirement income, and how to maximize your "Retirement Paycheck."

This information-packed session will be held in the OCERS Training Room, 2223 Wellington Ave., Santa Ana, on the following dates:

Thursday, Aug. 18, 2005 6:30-7:30 p.m.

Thursday, Sept. 29, 2005 6:30-7:30 p.m.

Thursday, Oct. 27, 2005 6:30-7:30 p.m.



These workshops will be presented by Orange County's Credit Union. To sign up for this workshop, simply contact Orange County's Investment Services at (714) 885-7591 or email investmentservices@orangecountyscu.org to reserve your place.

Comprehensive Annual Financial Report, brochures, other member resources now online

The 2004 Comprehensive Annual Financial Report (CAFR) is now available, and is among the many resources and information available to members at OCERS' Web site.

Information in the CAFR is designed to provide a complete and accurate review of the year's operations. It contains information about OCERS' investments and investment portfolio, financial statements, contribution rates, funding status and membership.

Indeed, www.ocers.org provides a wealth of information and services for anyone with access to the internet.

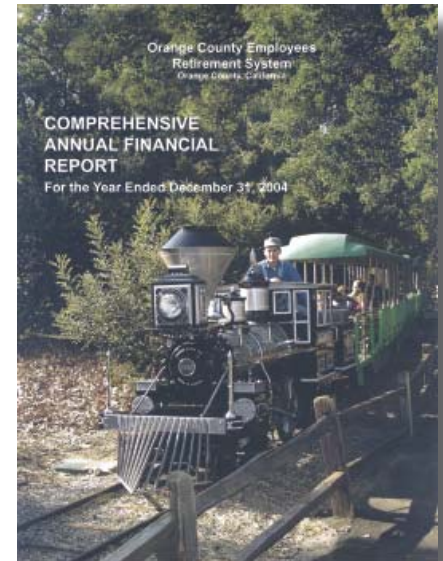
Key features of interest to active members and retirees on the Web site include the Member Information Center (see story on page 8 of this issue), monthly information on OCERS' investments, as well as Retirement Board and Committee Meeting minutes and agendas.

Our online Publications/Forms section contains a number of commonly used forms that can be downloaded and printed locally for your convenience. Among the materials that can be accessed are a Beneficiary Change form, Request to Purchase Service (also known as a "buyback") form, as well as a Special Power of Attorney form for those who want to designate someone to look after their retirement account if they become unable to look after their own needs.

In addition, a number of informative brochures are now available covering topics such as divorce and its possible impact on retirement, reciprocity and "buybacks" that can be viewed and printed.

One of the most popular features at OCERS' Web site is the Benefits Calculator, which allows any member to get a fast estimate of their projected retirement allowance based on their current salary, age and years of service credit. No registration is required and it only takes a few seconds to complete the easy-to-use online tool.

To view the CAFR online, sign up to attend an upcoming retirement seminar or learn more about OCERS, visit www.ocers.org.



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 one of the following Financial Strategies for Retirement Planning Seminars held at:

**OCERS (Training Room)
2223 E. Wellington Avenue
Santa Ana, CA 92701**

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 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 monthly benefit from OCERS

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 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 Moore 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

September 7, 14 and 21, 2005
6-9:30 p.m.

Workshop

Wednesdays

October 5, 12 and 19, 2005
6-9:30 p.m.

Workshop

Wednesdays

November 2, 9 and 16, 2005
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 held twice a month at OCERS, 2223 E. 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. For more information, please log on at 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:

August 17, 2005

September 14, 2005

September 21, 2005

October 5, 2005

October 19, 2005

November 2, 2005

The facts about Pension Funding

Recent news has focused on pension funding as a major financial issue. OCERS also has been the subject of recent articles, which note the size of the “unfunded actuarial accrued liability” (UAAL). OCERS’ actuary recently released his valuation of the system showing the size of the UAAL has increased substantially over previous years. That UAAL will be paid over time, in advance of required benefit payments.

Factors Increasing UAAL

Negative stock market results in 2000, 2001 and 2002 caused all public and corporate pension plans to see sizable reductions in the market value of their accumulated assets compared to the benefits earned.

OCERS recently engaged a new actuary firm who reviewed demographic trends for the fund. His recommendations led to more cautious expectations on demographic factors, which include retirement patterns, wage growth and employee behavior upon leaving covered employment.

The changes to benefits adopted by the County and other employers in recent years, such as “3% at 50” for safety members and “2.7% at 55” for general members increased the cost of the plan. Those increases were anticipated and have been built into funding equations. They are part of the increased cost.

Managing the Funding Obligation

Pension funding is a highly complex subject impossible to fully explain in the context of a short article. There are, however, a number of facts about OCERS that should be shared with OCERS membership and others.



Funding focused on the future – OCERS is a “prefunded” pension plan, meaning that assets are accumulated well in advance of the time benefit payments are due. Thus, near-term increases in benefit payments will not cause a cash-flow problem for OCERS. This sharply contrasts with a pay-as-you-go arrangement where money coming in is designed to cover current benefit checks.

Funding commitments are kept – Employers and employees participating in OCERS continue to make all required payments to the trust fund. The amounts are calculated (when added to investment income) to pay for all current and future benefits including any “unfunded liability”. OCERS has received every dollar recommended by the actuary and that commitment by the plan sponsors continues. This contrasts with the deliberate underpayment of contributions experienced at a number of pension funds, including that of the City of San Diego.

The facts about Pension Funding

from page 6

Assets have been accumulated – As a result of prefunding, OCERS consists of a \$5.5 Billion trust fund that is invested to grow to pay current and future benefits. The Board of Trustees, working with staff and advisors, develops a diversified investment portfolio designed to generate returns and protect against losses.

Prudent Investment approach – The investment approach taken by OCERS emphasizes avoiding undue risk, and not exposing the fund to major losses in the hope of reaching high returns. That conservative approach helped OCERS produce better investment returns than most other systems during the market downturn from 2000-2002. That conservative approach will continue in light of current markets.



Realistic expectations and no passing the obligation to future generations – OCERS also takes a careful approach on actuarial matters in order to avoid shifting costs to future generations. For example, OCERS does not rely on the kind of unrealistic predictions of investment returns that has led the Department of Labor to question many corporate pension plans. In addition, OCERS has already factored in the investment losses from 2000-2002, in contrast to the recent approach taken by some systems, which have elected to postpone recognition of those losses.

Pragmatic implementation – In light of current financial demands OCERS works with plan sponsors to assist them in meeting their funding obligations, while still maintaining prudent policies. Recent examples are consideration of phasing in the effects of the actuarial changes over several years, and providing a discount when employers pre-pay annual contributions.



The current situation at OCERS and other pension plans requires careful stewardship and difficult decisions. OCERS will continue to work with the employers and employees to adapt to changing circumstances and succeed. It also will continue a prudent course in assuring benefits are funded in advance of retirement.



Enroll today! OCERS' Member Information Center provides account information online

OCERS is offering an exciting new tool for active members and retirees interested in viewing their retirement account information online. The Member Information Center has been launched allowing participants to gain access to their OCERS account 24 hours a day, 7 days a week. Once a member has enrolled, OCERS will mail out a Personal Identification Number (PIN) within 5 working days.

The Member Information Center is secure and easy to use, allowing members to find tailored information that is relevant to them in just seconds.

Active Members will be able to gain access to details about their beneficiaries, employment history, Plan Type and even use an interactive Benefit Estimator to calculate their retirement. Retired Members who use the Member Information Center are able to view screens detailing tax withholding, direct deposit and 1099R information. The center also allows retirees to confirm details and history relating to their 12 most recent benefit payments.



“Since we launched the Member Information Center in January, more than 2,400 members have enrolled,” said OCERS Chief Executive Officer Keith Bozarth.

“OCERS participants can now log into the Member Information Center to monitor their account balances, review accrued benefit information and get other important plan information when it works into their schedule,” Bozarth added. The best way to learn about all the new features is to log on at www.ocers.org and enroll at the Member Information Center today.

Orange County Employees Retirement System
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