

At Your Service

Orange County Employees Retirement System

VOLUME 3 NUMBER 4 MAGAZINE FOR ALL MEMBERS OCTOBER 2004



The ABCs of OCERS
Benefit formulas = Plan Types

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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At Your Service is written and designed by Robert Kinsler, Jayne Ritchey and Cuong Nguyen.

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

November 15, 2004 December 20, 2004
January 18, 2005 February 22, 2005

SPD updates are coming soon

In December 2003 and January 2004, active members began receiving a newly-revised Summary Plan Description (SPD). The new SPD format allows OCERS to revise the document on an annual basis and distribute updated pages by mail.

In November and December of 2004, OCERS will be sending out seven replacement sheets (14 pages) that you should insert into your SPD. You can then throw away the out-of-date pages.

In order to ensure that you receive these timely and important updates, you must make sure that your current mailing address is on file with your personnel office.

At the bottom of each of the revised pages, General Members will see a "Rev 11/04 GEN" indicating the pages are dated November 2004 and are for General Member SPDs. Safety Members will see a "Rev 11/04 SAFETY" indicating the pages are dated November 2004 and are for Safety Member SPDs.

Board of Retirement Ballots are coming

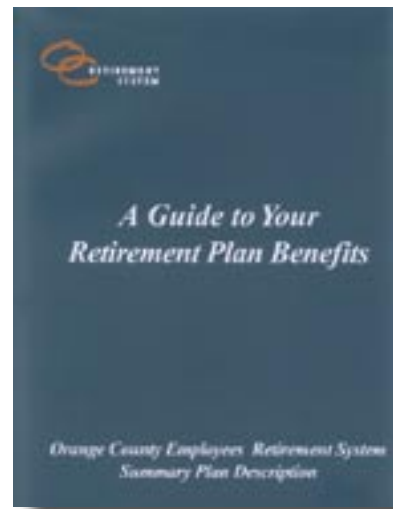
General Members and Retired Members will each have the opportunity to vote for candidates seeking seats on the OCERS Board of Retirement.

General Members will vote for a person to serve as General Member on the Board. That elected Board Member's three-year term will begin on Jan. 1, 2005.

Retired Members will vote for a person to serve as Retired Member on the Board.

The Registrar of Voters randomly drew for placement of candidates on the ballot on Oct. 18, 2004. Ballots will be mailed to all General Members and Retired Members on Nov. 8, 2004.

Completed ballots must be returned to the Registrar of Voters Office no later than Nov. 29, 2004 at 5 p.m. Ballots will be counted on Nov. 30, 2004.



Is 2.7% at 55 benefit on the horizon?

We know you have questions about the new 2.7% at 55 retirement benefit formula and answers are on the way!



OCERS and the County of Orange will be hosting a number of seminars in 2005. Details about these seminars will be featured in the next issue of At Your Service, which will be mailed out in January 2005.

Our Web site will also keep you updated; visit www.ocers.org for more details...

www.ocers.org; your first stop on the Information Highway

Going online? Then log on to www.ocers.org to learn more about retirement, disability, death and survivor benefits offered by OCERS to members. OCERS' official Web site provides a wealth of information and services for anyone with access to the World Wide Web. One of the most popular features at OCERS' 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. No registration is required and it only takes a few seconds to complete the easy-to-use form.



In addition, members can now register to take any of a variety of free seminars offered by OCERS through the Web site. Other features at www.ocers.org include the monthly online newsletter OCERS Extra, a printable version of OCERS' official 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, as well as a Beneficiary Change form.

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 Retirement Program Specialist.

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
- 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) 704-6502.

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

January 5, 12 and 19, 2005

6-9:30 p.m.

Workshop

Wednesdays

February 2, 9 and 16, 2005

6-9:30 p.m.

OCERS offers Pre-Retirement Planning Seminars

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's important to attend a Pre-Retirement Planning Seminar offered by OCERS.

The few hours you spend at the seminar can have beneficial and long-lasting impacts 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 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 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 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, but reservations are required. For more information and to make your reservation to attend this seminar, 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:

January 5, 2005

January 19, 2005

And more dates will be announced and posted on OCERS' Web site in early January 2005!

'Divorce and Your Retirement' Seminar dates now open

The Legal Division at OCERS offers a one-session "**Divorce and Your Retirement**" seminar on how divorce may impact your retirement benefits. The final workshop of 2004 will be held on:

- **Tuesday, December 7, 2004; 8:00 a.m. – 9:30 a.m.**

The seminar focuses on how OCERS handles divorce materials and what types of court orders comply with the retirement plan. The OCERS legal staff cannot offer legal advice on your specific rights under California community property laws.

The seminar is free and open to all members. The seminar will be held at OCERS, 2223 Wellington Ave., Santa Ana. To reserve a space go to our Web site and click on "Retirement Seminars."



Plan Types = new retirement benefit formulas

As part of its effort to provide better service for all members, OCERS is using new Plan Type names to designate the formula that determines the benefits that an individual receives from OCERS. In the past, the use of “Tier I” and “Tier II”, as well as “General” and “Safety” was all that was necessary to identify the benefits received by any member. However, recent state legislation and negotiations resulting in various employers (“Plan Sponsors”) granting different formulas to their employees has resulted in a number of combinations that no longer make it possible for members to determine their benefits simply by descriptions such as “I’m a Tier I Safety Member” or a “Tier II General Member.”

At the time of this article’s publication, active members working at the City of San Juan Capistrano or as General Members for the Orange County Fire Authority are Plan I or J, while members working for the City of Rancho Santa Margarita are in Plan H. General Members who work with the County of Orange are Plan A or B, while Safety Members working for the County are Plans C, D, E or F.

Here is an easy-to-use list noting the new Plan Types:

Plan A (formerly known as General Tier 1) Highest 1 year Final Average Salary

Plan B (formerly known as General Tier 2) Highest 3 year Final Average Salary

Plan C (formerly known as Safety Tier 1 - 2% at 50 formula) Highest 1 year Final Average Salary

Plan D (formerly known as Safety Tier 2 - 2% at 50 formula) Highest 3 year Final Average Salary

Plan E (Safety 2 Tier 1 - 3% at 50 formula) Highest 1 year Final Average Salary

Plan F (Safety 2 Tier 2 - 3% at 50 formula) Highest 3 year Final Average Salary

Plan G (Tier 1 General Members - 2.5% at 55 formula) Highest 1 year Final Average Salary

Plan H (Tier 2 General Members - 2.5% at 55 formula) Highest 3 year Final Average Salary

Plan I (Tier 1 General Members - 2.7% at 55 formula) Highest 1 year Final Average Salary

Plan J (Tier 2 General Members - 2.7% at 55 formula) Highest 3 year Final Average Salary

OCERS’ online Benefits Calculator makes it easy for members who know their Plan Type to get an estimate of their projected retirement allowance. If you do not know your Plan Type, please review your 2004 Member Annual Statement under the “Current Benefit Formula” listing.

Please note that you cannot select your own Plan Type. Your Plan Type is negotiated between your bargaining unit and your employer. The majority of County of Orange General Members will be covered under Plan I or J effective July 2, 2005; eligible Probation Department Safety Members will move to Plans E and F on June 10, 2005. Log on at www.ocers.org to use the Benefits Calculator, as well as enroll in a free seminar or learn other important details about OCERS.

How OCERS and your benefits are funded

There has been a great deal of public discussion about the new benefit for general employees of the County. Part of that discussion has centered on the funding status of OCERS. Some factual background should be helpful.

Q. How does OCERS pay for the pensions that are promised to employees?

A. OCERS accumulates assets in advance of when they will be needed to pay benefits. It collects contributions from employers and employees and invests those funds. In that respect it is very different from a pay-as-you-go system that does not retain assets to cover future benefits. Pay-as-you-go systems operate on current contributions to pay current benefits - no funds are invested for the future. OCERS instead takes income over the years and invests it to assist in paying for future benefits.

Q. What does it mean for the retirement system to be 79% funded?

A. OCERS predicts the total benefits that will be paid to all current and former employees and retirees over their lifetimes, and calculates a present value in dollars. Next it determines how much of that value has already been earned by employees and retirees (their "past service"). This is the fund's "liability." Finally, OCERS compares that liability to the assets that are already in the trust fund.

Since OCERS is now 79% funded, that means it has assets (stocks, bonds, etc.) to cover 79% of the expected future payments to be made for the past service.

OCERS' trust fund was a little less than \$5 billion at the end of the last fiscal year. But to be "fully funded" the assets would have to be about \$6.1 billion. The difference, the "unfunded liability," must be paid over time.

Q. How will the unfunded liability of the system be paid?

A. OCERS uses an actuary to value the assets and liabilities of the retirement system every year. Based on that work the Retirement Board sets the amount of contributions for employers and employees. The contributions are calculated (1) to cover the cost of benefits earned by employees during the year, and (2) to pay off the unfunded liability over a period of time. The payment of the unfunded liability works in a way similar to mortgage payments.

Q. How does the adoption of the new formula for County employees affect OCERS' funding?

A. Before the County adopted the new formula it asked OCERS' actuary to develop an estimate of the cost for the new benefit. The estimate included an addition of about 5% to the accumulated benefit obligation. In the future, required contributions must take into account the additional liability.

Under the new formula County employees' contributions are increased to pay most of the additional cost directly. County employees agreed to adjust other items, such as medical insurance, to cover additional cost.

These changes in contributions for the new formula apply only to the County and the employees covered

OCERS: Questions & Answers about funding benefits

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by the new formula, and not to other employers and employees.

Q. What is the role of the Retirement Board in setting the benefit amounts to be paid?

A. The Retirement Board does not set the benefit amounts. It simply administers benefits that are set by employers and employees through the negotiation process. OCERS does help provide information about predicted costs and benefit administration.

Q. What is the role of the Retirement Board in assuring the promised benefits will be paid?

A. Once benefit levels are set OCERS has a responsibility to make sure they are funded and paid to members. That responsibility is exercised through the contribution setting, investing and administration processes described earlier.

Q. If higher levels of contributions are required in the future, who will pay?

A. Base employee contributions are set under a formula defined in the law. Employer contributions are set based on what is needed to properly fund the system. The law, however, does allow employers and employees to negotiate some variations in who pays those contributions. The recent County agreements do include provisions about whether the employer or employee pays the additional cost required by the new formula. OCERS' responsibility is to make certain the total required amounts are paid.

Q. What effect does the recently reported liability for retiree medical benefits have on OCERS?

A. None. OCERS has no obligation to fund the medical plans operated by any of the employers. Historically many OCERS retirees have received supplemental pension payments that help them pay medical premiums, but that arrangement is totally separate from the funding of the medical plans.

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