

At Your Service

January 2014

OCERS: 2013 in review

As we look forward to the challenges and opportunities that 2014 might bring I would like to take an opportunity to reflect on some of the biggest news items of 2013.

PEPRA - The Public Employees' Pension Reform Act of 2013 (PEPRA), which took effect January 1, 2013, brought new regulations for all public retirement systems in California, including OCERS. Most PEPRA regulations apply to those members who enter public employment on or after January 1, 2013; however several rules apply to both PEPRA and Legacy members (those employed with an OCERS-covered employer before January 1, 2013).

One rule that applies to all OCERS members relates to a retiree's ability to return to public employment. Effective January 1, 2013 retired members will have to wait at least 180 days before returning to work for an OCERS-covered employer on a limited time basis (960 hours or less a fiscal year) unless special circumstances apply.

PEPRA created new benefit tiers for new members and limits the pensionable compensation that can be considered for retirement purposes to base salary, with certain exceptions to salary associated to special skills and shifts.

OCERS' staff worked very closely with our Plan Sponsors on the implementation of the PEPRA regulations and posted informational resources on our Web site for our current and future members.

Investment Portfolio - Many recent newspaper articles have focused on challenges facing defined benefit plans. We are happy to share that OCERS' fund is strong and your benefits remain secure.

In 2013, the OCERS portfolio was further diversified



to protect against risks of rising interest rates, and we completed the implementation of our new asset allocation plan. We implemented a less-costly strategy to invest in hedge funds directly rather than through an intermediary, which reflects our growing size and sophistication. We have installed one of the nation's most sophisticated risk monitoring systems for plans of our size, while continuing to exceed our latest actuarial rate of return assumptions over the past 1, 3, 5 and 10 year periods.

As of November 30, 2013, OCERS' total portfolio was at a record high value of \$10.989 billion. I also encourage all of you to read the important investment-related letter that is featured on page 7 of this publication.

Steve Delaney, Chief Executive Officer

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 9:00 a.m.

January 21, 2014	February 18, 2014
March 17, 2014	April 21, 2014
May 19, 2014	June 16, 2014
July 21, 2014	August 27, 2014
October 20, 2014	November 17, 2014
	December 15, 2014

Tom Beckett takes post on Board of Retirement

Retired members voted to elect Tom Beckett to serve a 3-year term on OCERS' Board of Retirement beginning on January 1, 2014.

Mr. Beckett brings 32 years of experience with the County of Orange to the Board, having served as the County's Public Finance Manager until he retired in 2009.



Mr. Beckett's educational background includes a Bachelor's Degree in Economics and a Master's Degree in Business Administration from UCLA.

Mr. Beckett's biggest challenge at the County came in the wake of the bankruptcy in December 2004, when he was subsequently part of a small team of professionals charged with successfully leading the County of Orange out of the financial crisis.

"I remember being at the Hall of Administration; people were really concerned the state would sweep in and take over. Nobody wanted to take over," Mr. Beckett recalled in a recent interview.

Mr. Beckett recalled it was a group within the County that borrowed more than \$1 billion and over the next 18 months restructured all the debt and got Orange County back on its financial feet.

He began his career at the County in 1976 working in the Auditor's office. He will bring his many years of experience to the Board of Retirement while also making sure to represent the interests of the more than 14,000 OCERS benefit recipients.

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Tom Beckett takes post; Robert Griffith honored

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Mr. Beckett also praised the job that outgoing Retiree Member Robert A. Griffith did while serving on the Board of Retirement for nine years.

“He did it in a calm, reasonable and thoughtful way,” Beckett said of Mr. Griffith’s decision-making style over three consecutive terms. “I’ve had an opportunity to attend the OCERS meetings and see him in action. Retirees couldn’t have had a better representative during his nine years of service.”

Mr. Griffith attended his final Board of Retirement meeting on December 16, 2013, where he was honored by his colleagues and given a plaque for his nine years of service.

“Bob, on behalf of OCERS, I want to thank you for a lifetime of work (as both a Board Member and County employee),” said Frank Eley, a long-time member of the Board of Retirement. Other members of the Board also praised Mr. Griffith. Charles E. Packard noted that Mr.

Griffith was very articulate in providing the reasoning behind the decisions leading up to specific votes. Other members of the Board also praised Mr. Griffith’s approach to grappling with a wide range of complex issues with care and professionalism.

“I have tremendously enjoyed this experience,” Mr. Griffith said.



In related news, Mr. Eley was the only candidate in the fall 2013 General Member election, and thus he began serving another three-year term on the

Board on January 1, 2014.

For more information on the Board of Retirement, visit OCERS’ Web site and click on the “About OCERS” button and then click on the “Board of Retirement” link.

Who to contact with your healthcare questions

Many payees see a variety of deductions on their monthly OCERS pension payment, such as tax withholdings, healthcare and insurance. **But it’s important to note OCERS does not administer healthcare for any retirees.** OCERS acts as a conduit for retiree health insurance plans by processing the transactions that are submitted by the health insurance plan administrator. Questions regarding health insurance matters should be directed to the appropriate health insurance plan administrators to ensure accurate processing of retiree healthcare information. County of Orange and OC Courts retirees should call the Benefits Center toll-free at 1-866-325-2345.

Financial Strategies Seminars set for early 2014

According to a recent study by Fidelity Investments, only about half of Baby Boomers (those born between 1946 and 1964) are saving enough to cover their basic retirement expenses. Younger Americans have an even more challenging retirement outlook, with well under 50 percent saving enough money to cover housing, health care and food costs during their golden years.

The study shows that members of Generation X (those born between 1965 and 1977) and Generation Y (those born between 1978 and 1988) are especially at risk of meeting basic costs in retirement, or could be forced to delay retirement, work part-time or take other measures to come up with the 74 percent of their pre-retirement income considered necessary to cover basic needs.

Understanding steps you can take to help enhance your overall financial health is a key reason to enroll in the Financial Strategies Seminar that will be held at OCERS in early 2014. The seminar teaches members worthwhile tools to:

- Create a path to follow and make appropriate financial decisions
- Know when you can retire and how much you will need
- Identify factors that can positively or negatively impact your plan to retire
- Make appropriate investment selections for your short, mid and long-term goals
- Locate resources for further education and planning

Members will also learn income tax planning, estate planning, proper beneficiary designations, calculating Social Security benefits, and an explanation of the OCERS' pension, among other things.

SCHEDULED DATES for three-session workshop:

Workshop

Wednesdays
January 8, 15 and 22, 2014
6 – 9:30 p.m.

Workshop

Wednesdays
February 5, 19 and 26, 2014
6 – 9:30 p.m.

Workshop

Wednesdays
March 5, 12 and 19, 2014
6 – 9:30 p.m.



The class is small, interactive, presented in a supportive environment, and the instructors do not spend time on self-promotion, or discussing specific products. Lastly, members will have an opportunity to meet with the financial advisor after the class is completed at no cost on a one-on-one basis to have specific questions answered and create a personalized financial plan with recommendations for the best steps to achieving their financial goals. Attendees have found this individualized planning to be extremely valuable.

Financial Strategies Seminars are held in OCERS' Training Room, 2223 E. Wellington Avenue, Santa Ana, CA 92701-3161. The three-session workshop 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."

For more information on upcoming Financial Strategies for Retirement Planning Seminars, please call Robert Kinsler at (714) 558-6230.

Retiree Payment Schedule for early 2014

As part of an ongoing effort to provide better customer service to our members, OCERS will continue to bring relief to payees when the first of the month falls on a weekend or holiday. When the first of the month falls on a weekend or holiday, your monthly benefit will be deposited the prior business day. The only exception to this in 2014 is the January 1st benefit payment, which will continue to be paid the first business day of the year, which is January 2nd this year.

The payment schedule affects only those members who receive their monthly benefit via Electronic Fund Transfer (“EFT”). **Please note:** for those who receive an actual check, they will continue to be mailed out on the last business day of the month via the United States Postal Service regardless of what day the first of the month might fall.



Retirees who want to receive their retirement allowance in the most prompt way should sign up for EFT – also known as “Direct Deposit” or “Automatic Deposit.” This provides retirees with the fastest delivery of their monthly retirement payment possible.

OCERS pays one month in arrears. For example: the May 1st benefit payment covers the period of April 1 – 30.

Benefit Payment Date

Thursday, January 2, 2014

Friday, January 31, 2014

Friday, February 28, 2014

Tuesday, April 1, 2014

Thursday, May 1, 2014

For the complete payment schedule, please visit OCERS’ Web site at http://www.ocers.org/member_retired/payment_schedule.htm and see the Benefit Payment Schedule posted in the Retired Members section.

Personalized 1099-R copies coming in late January

OCERS will send personalized copies of Internal Revenue Service Form 1099-R to all payees on January 31, 2014. The 1099-R form provides each payee with detailed information on his or her income for the previous year. In addition, retirees may also view copies of their 2013 1099-R statement online, effective February 3, 2014, by logging into the Member Information Center (please note that OCERS online copies cannot be used to submit with your 2013 Federal/State tax returns).

Detailed instructions are located on the reverse side of the 1099-R form.

For more information on your 1099-R form, please visit OCERS’ Web site at http://www.ocers.org/member_retired/taxinfo.htm and see the Tax Information page in the Retired Members section.

COLA: what you need to know if you plan to retire

Because OCERS payees typically receive an annual cost-of-living adjustment (COLA) with their May benefit payment, many active members



thinking about retiring want to take advantage of being eligible for the increase.

However, the mechanics of when to retire

to secure getting the annual COLA can be confusing. Members must retire on or before April 1st to be eligible for the COLA. Eligible

members will then see the COLA adjustment on their May 1, 2014 payment.

For example, anyone who is working or “on the books” at their OCERS covered agency on April 1st is an active member, and therefore ineligible to receive the COLA. OCERS encourages members with specific questions about the COLA to watch the informative video titled *Cost of Living Adjustment (COLA) and ‘COLA Bank’* on OCERS’ Web site (click on “Video Library” located in the quick links section on the home page).

For more information on the COLA, please visit OCERS’ Web site at http://www.ocers.org/member_retired/cola.htm.

Daytime Seminars prepare members for retirement

It’s not unusual for some OCERS members to work 20 or 30 years before they begin to seriously think about retirement. Other members begin planning for their retirement from the very beginning. The good news is that OCERS offers a special seminar designed for all members thinking about making the transition from employee to retiree. The Pre-Retirement Seminar is designed to provide a wide-range of information and resources to help any active or deferred member take the necessary steps to make their move into retirement.

These daytime seminars are held at OCERS, 2223 E. Wellington Avenue, Suite 100, Santa Ana, from 8 a.m. to 2:45 p.m. The one-session seminar is free, and there is plenty of free on-site parking for those attending. Various topics are covered.

A Social Security representative will discuss Social Security and Medicare benefits;

a representative from REAOC will discuss the benefits of joining the Retired Employees Association of Orange County; a representative from the County of Orange retiree medical program will discuss the County’s retiree medical benefit options; a representative from “Deferred Compensation” will discuss the County of Orange 457 defined contribution plan; and an OCERS Retirement Specialist will focus on your OCERS’ retirement benefits.

No registration is necessary to attend the Pre-Retirement Seminars. OCERS members are welcome to take this seminar as often as they like. We also recommend that attendees bring something to eat, or plan on driving/walking to a nearby eatery during the hour lunch break since food is not provided and there is no cafeteria on-site. The upcoming seminar dates are:

January 8 and 22, 2014
February 5 and 19, 2014
March 5 and 19, 2014

OCERS is well positioned to face the future

The Chair of OCERS' Investment Committee and the Chair of the Board of Retirement recently wrote a letter to set the record straight on OCERS' investment portfolio in the wake of misleading media coverage. It is very important for members to recognize that employee and employer contributions are invested via a strategy that is centered on diversification with a focus on withstanding the ups and downs of volatile market conditions. Here is the letter that was originally published in the Opinion section of The Orange County Register on December 2, 2013:

Investments bring many happy returns

You can't always believe everything you read. Members of the Orange County Employees Retirement System (OCERS), as well as employers and taxpayers who saw the recent article published in The Orange County Register might erroneously believe that OCERS was being poorly managed. Nothing could be further from the truth.

As the chairman of the OCERS investment committee, and the chair of the board of retirement, we dispute the assertion that OCERS has wasted money by investing in alternatives (including real estate, private equity and hedge funds). In today's world, there are many risks including those that simply cannot be mitigated through conventional "60-40" stock and bond portfolios. The goal of investing in alternatives is to diversify the investment portfolio and to deliver returns while balancing the portfolio level risk.

One of the primary lessons to learn from the OCERS history is that our asset allocation is, by design, different from many if not most other pension plans. For more than 30 years OCERS has tried to avoid big losses in down market years, even if it means lower returns in up market years. This has been accomplished by the high level of diversification seen in our portfolio which balances any single risk factor.

The Board is working closely with its risk consultant BlackRock Solutions to monitor and manage risk in the portfolio, making informed judgments while considering the Board's collective risk tolerance and the goals of the investment program. In addition, the investment staff continuously monitors the investment management fees to ensure that OCERS has best available fee arrangements and is fully transparent in reporting fees.

The most recent returns for the OCERS portfolio speak for themselves. As of October 31, 2013, OCERS' investment portfolio was at an all-time high of \$10.94 billion. OCERS' year-to-date return as of the end of October was 9.35 percent, while the system's 3-year return was a strong 8.14 percent. Looking out at the more critical longer periods of 5 and 10 years, OCERS' returns were 10.51 and 7.49 percent. In fact, the Register article would have been far more objective had it led off with the observation buried much later in the article: "In the five-year rankings, when its alternative investments performed better than stocks, OCERS finished sixth out of the 88 largest systems."

Chuck Packard
Chair, OCERS Investment Committee

Thomas E. Flanigan
Chair, Board of Retirement



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Wherever, whenever you move...let OCERS know

At various times, retirees may need to change their personal information on file with OCERS. Keeping this data up-to-date ensures OCERS can provide retirees with their 1099-R form as well as get in touch with retired members about important areas of concern including if there are any adjustments to their monthly benefit payment.

It is very important to complete a Change of Address form if you are moving or if your mailing address has changed.

Every time OCERS mails out a newsletter, notice or other critical information, a heavy

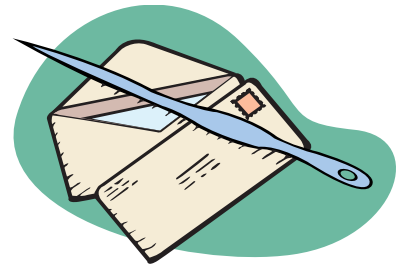


volume of mail is returned to our office simply because members have not kept us updated when

they move.

If you are a retired member, there are three quick and easy ways to inform us of your new address and phone number.

1. Log on to the Member Information Center and submit your change of address online.



2. Download a Change of Address form, and return it to OCERS

3. Write us a letter with your new address information and send it to OCERS at 2223 E. Wellington Avenue, Suite 100, Santa Ana, CA 92701.