

# *At Your Service*

Orange County Employees Retirement System

Volume 11 Number 4 Magazine for all Members October 2012



**Pensions reduce poverty risk for seniors**

## At Your Service



### Members of the Board of Retirement

Russell Baldwin, Chair  
Thomas Flanigan, Vice Chair  
Frank E. Eley  
Shari L. Freidenrich  
Raymond Geagan  
Robert Griffith  
Roger Hilton  
Wayne Lindholm  
Charles E. Packard  
Reed L. Royalty

### Chief Executive Officer

Steve J. Delaney

### Assistant Chief Executive Officer, External and Legal Operations

Julie Wyne

### Assistant Chief Executive Officer, Finance and Internal Operations

Brenda Shott

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

Comments and suggestions should be directed to:  
Robert Kinsler, Public Relations Analyst

OCERS  
2223 E. Wellington Ave., Ste. 100,  
Santa Ana, CA 92701-3161  
Telephone: (714) 558-6200  
Toll-free: (888) 570-6277  
Web site: [www.ocers.org](http://www.ocers.org)

At Your Service is edited and designed by  
Robert Kinsler and Jayne Ritchey

### Board of Retirement Meetings:

All regular business meetings are held in OCERS Board Room at 9:00 a.m.

January 17, 2012	February 21, 2012
March 19, 2012	April 16, 2012
May 21, 2012	June 18, 2012
July 16, 2012	August 20, 2012
October 15, 2012	November 19, 2012
December 17, 2012	

## Board of Retirement election update

An election is being held to select a new General Member to serve on the Board of Retirement.

The election will determine which member will assume the post currently held by Russell Baldwin, who is not seeking re-election to another term.

Two members are seeking the seat on the Board of Retirement. Ballots were mailed to all eligible general members on September 14, 2012. Each candidate has prepared a biographical statement that is included with each official ballot.

Completed ballots must arrive at the Registrar of Voters Office no later than Tuesday, October 23, 2012 at 9 a.m.

Ballots will be counted on October 23, 2012. Once the winning candidate is selected and affirmed, OCERS will post information online at [www.ocers.org](http://www.ocers.org).

The Board of Retirement is responsible for establishing policies governing the administration of OCERS, disability determinations, assuring benefit payments, establishing investment policy and investing assets for the system and monitoring execution of its policies.

The Board of Retirement consists of nine members and one alternate. Four members are appointed by the Board of Supervisors of the County; four members are elected by active members of the system of which one is the alternate member; one member is elected by the retirees; and the Treasurer of the County is an ex-officio member.

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.

# Annual County of Orange Benefits Open Enrollment for Retirees coming November 1, 2012

The Annual County of Orange Benefits Open Enrollment for retirees will be from November 1, 2012 through November 21, 2012. This is your opportunity to review your health coverage and the new rates and determine if your current health plan still meets the needs of you and your family. During Open Enrollment, you may change health plans, and you are able to add dependents or take dependents off of your health coverage. All changes will be effective January 1, 2013. The County of Orange and the Benefits Center will be available to support and assist you with your questions and concerns. There will be a series of Open Enrollment meetings throughout the month of November. These meetings will provide an opportunity to ask questions in person of each of the health plan representatives. A schedule of the meetings will be included in your Open Enrollment package.

During Open Enrollment, if you are planning to enroll in one of the Medicare Advantage plans offered by the County to retirees who are age 65 and older, please make your elections early. Enrollment in a Medicare Advantage plan must be approved by the Centers for Medicare and Medicaid Services (CMS), and depending on the plan you choose, you may be required to send in enrollment and/or disenrollment forms. If your form is not received by the required deadline, or you are not approved by CMS, you will be automatically enrolled in the County's PPO health plan at a significantly higher rate. Be sure to carefully review all materials provided in your Open Enrollment package and contact the Benefits Resource Line if you have questions. Since OCERS does not administer the County's retiree health plan, our staff is not trained to answer health care-related questions.

Retirees who are age 65 and older must be enrolled in Medicare to receive the Retiree Medical Grant. You must enroll in Medicare Part A if you are eligible at no cost to you, and Medicare Part B enrollment is required for all retirees when they become eligible. If you do not enroll in Medicare, or you do not maintain your Medicare Part B enrollment by paying your Medicare premiums, your Retiree Medical Grant will be suspended and you will pay a higher monthly health plan rate. In addition, you will not be eligible for the Medicare Advantage plans that are offered by the County.

Be sure to watch your mailbox and read all Open Enrollment materials carefully. For information about your current benefits, or to verify the Benefits Center has your current mailing address, please call the Benefits Resource Line toll-free at 1-866-325-2345.

## Follow us on Twitter

OCERS is now on Twitter. Go to the OCERS Web site and click on the Twitter link to follow @myOCERS. You can get news and important updates on OCERS.



# Financial Strategies Seminars set for autumn

According to an article (“Big Income Losses for Those Near Retirement”) published in the New York Times in August 2012, “the typical American 55 to 64 years old has a household income almost 10 percent less than it was when the recovery officially began three years ago.”

The article noted that “after adjusting for inflation, the median household income for Americans of all ages was 4.8 percent lower in June 2012 than it was when the recovery technically started in June 2009, to \$50,964 from \$53,508.”

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 twice this fall. 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.

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](http://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.

## SCHEDULED DATES for three-session workshop:

**Workshop**  
Wednesdays  
October 3, 10 and 17, 2012  
6 – 9:30 p.m.

**Workshop**  
Wednesdays  
November 7, 14 and 28, 2012  
6 – 9:30 p.m.

**Workshop**  
No workshop in December



# Pension income reduces poverty risk for seniors

Although members of OCERS and other defined benefit plans have long understood the importance of being a member of a defined benefit (DB) plan, now a high-profile study has provided additional evidence of the role DB plans play in retirement security for older Americans.

According to a report from the National Institute on Retirement Security (NIRS) released on July 26, 2012, rates of poverty among older households (ages 60 and up) lacking DB pension income were approximately nine times greater than the rates among older households with DB pension income in 2010, six times greater than was the case in 2006.

Older households with lifetime pension income are far less likely to experience food, shelter and health care hardship, and less reliant on public assistance. The study also revealed that pensions are a factor in preventing middle class Americans from slipping into poverty during retirement.

These findings are contained in a new report, “The Pension Factor 2012: Assessing the Role of Defined Benefit Plans in Reducing Elder Economic Hardships,” an update of a similar study conducted in 2009.

“The analysis indicates pensions exert an independent, positive impact on older Americans’ economic well-being – an effect we call the ‘pension factor.’ This ‘pension factor’ is particularly strong for more vulnerable subpopulations of elder households,” explained Dr. Frank Porell, a professor of gerontology at the University of Massachusetts Boston who co-authored the study with Diane Oakley, executive director at NIRS.



“The bottom line is that households with a pension fare better than those without – even after controlling for socio-demographic factors such as education, race, gender and work history,” Porell said.

For more information on the study, visit [www.nirsonline.org](http://www.nirsonline.org).

## Looking for answers? View a video

OCERS has posted short informational videos on a number of topics for active members and retirees. OCERS’ Video Library features videos focusing on helpful retirement tips, benefit options, reciprocity and using the online Benefits Calculator. More videos will be posted soon, so check back often to learn more about your retirement system. To get to the Video Library, visit [www.ocers.org](http://www.ocers.org) and click on **Video Library** inside the Quick Links box.

# Employee and employer contributions help fund retirement benefits for members

Every year the Board of Retirement establishes employee and employer contribution rates, which are necessary to fund retirement benefits. Those rates go into effect in July of the following year and are posted on the OCERS Web site.

Contribution rates are based on detailed “assumptions” presented by OCERS’ consulting actuary, The Segal Company. These “assumptions” include economic and non-economic factors.

Economic assumptions include factors such as the Consumer Price Index (CPI), salary increases, and the expected return on invested assets.

Non-economic assumptions include mortality rates, service retirement rates, service-connected disability retirements, termination with deferral and those who terminate and withdraw their contributions.

Assumptions do not change the actual cost of the benefits, but they do impact the timing of contributions. The actual cost is determined by the benefits and administrative expenses paid out, offset by contributions and the investment income on those contributions. The actuary uses assumptions to determine contribution rates necessary to fund the benefits provided under the plan. The contribution rates are adjusted annually to reflect plan experience.

These actuarial assumptions provide a vital component of ensuring the long-term success of a defined benefit plan such as that offered by OCERS.

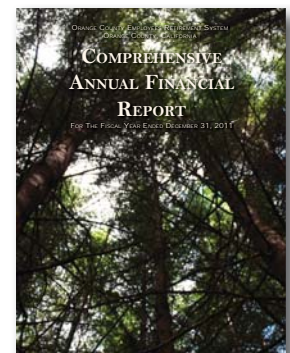
The good news is once a member retires, they no longer pay contributions and are the direct beneficiary of a well-funded system that will continue to provide them a monthly retirement allowance for the rest of their life.

Detailed information on employee and employer contribution rates is available in the “Plan Sponsor” section of OCERS’ official Web site, [www.ocers.org](http://www.ocers.org).

## 2011 Comprehensive Annual Financial Report available

OCERS Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2011 is now available online. Information in the CAFR is designed to provide a complete and accurate review of the year’s operations. It contains information about the Retirement System’s investments, financial statements, contribution rates, funding and membership.

To view the CAFR online, click on the “Finance & Investments” button at [www.ocers.org](http://www.ocers.org).



# Managing OCERS assets in the 'New Normal' era

**By Girard Miller, Chief Investment Officer**

Most economists and investors agree that today's economic environment is unlike anything we've ever seen before. The Great Recession knocked the stuffing out of the housing market and the financial industries that had made loans and investments in that sector. Consumers are struggling to repay debts accumulated over two decades of dubious lending and borrowing practices. Recovery has been long and slow, and now we hear daily about the problems in Europe where debt hangs over their banks and their governments. Consumer and business confidence is weak and economic growth is stunted. It's been called the Global Malaise and the New Normal by prominent investors.

In this economic environment, public pension funds face a particular challenge, as long-term investors. In the financial markets, our investment teams must continue to seek long-term opportunities to earn a prudent and positive rate of return on the money entrusted to us. Yet some of the traditional building-blocks used in years past will not work in today's world. As just one example, U.S. government bonds, which historically yielded about 5 percent, now pay less than 3 percent for 30 year commitments. If inflation ever returns, it is likely that those bonds will suffer losses in the financial markets. So it's very difficult to now allocate long-term capital to the traditional bond market, which has historically provided the best offsetting downside protection to portfolios with major stock market investors during times of economic recessions.



Meanwhile, the growth opportunities for public companies listed on the stock exchanges are likely to be impaired in coming years because of the global slowdown. My published historical research on long-term returns from stocks over bonds in similar periods from the 1930s showed strong stock market returns and poor bond returns vs inflation over the ensuing 30 years, but stocks struggled in the decade up to World War II. Likewise, the problem today is that we face a headwind in the traditional capital markets in the current decade. Until consumers and governments deleverage from the debt accumulations of the past two decades, traditional stock returns may not match their historical patterns.

This forces the investment professionals and the pension board at OCERS to look more broadly at our diversified portfolio, to seek alternative investment opportunities that can offer better returns for patient long-term capital than the traditional stock and government bond markets. In our case, that has brought OCERS to such alternatives as real estate, real-return assets like timberland and farmland, private equity firms that specialize in restructuring companies, international emerging markets for both stocks and bonds, hedge funds and non-traditional debt managers who work out distressed companies and special situations. In making these forays into non-traditional asset classes, OCERS is very careful to diversify and manage risk as much as possible. It's a new era, and risk management has become the watchword throughout this unique business cycle.



Orange County Employees Retirement System  
2223 E. Wellington Avenue, Ste. 100  
Santa Ana, CA 92701-3161

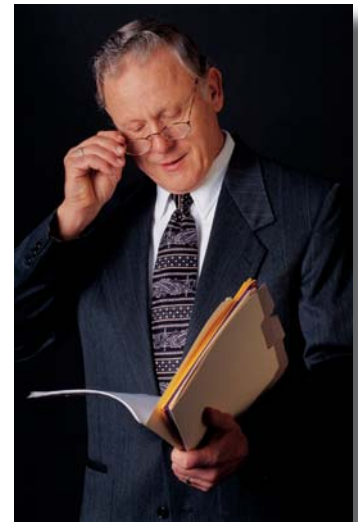
Presorted  
First-Class Mail  
U.S. Postage Paid  
Santa Ana, CA  
Permit # 4833

---

## Pre-Retirement Seminars update

While it's easy to live for today, the transition into retirement requires plenty of advance planning. To help fill this need, OCERS offers Pre-Retirement Seminars. Anyone who is within three years of their retirement date should plan on taking this seminar.

These daytime seminars are held at OCERS, 2223 E. Wellington Ave., Suite 100, Santa Ana, from 8 a.m. to 2:30 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 "Deferred Compensation" will discuss the County of Orange 457 plan; a representative from the County of Orange retiree medical program will discuss the County's retiree medical benefit options; and an OCERS Retirement Specialist will focus on your OCERS retirement benefits. **Seminar dates: October 3 and 17; November 7; December 5, 2012.**



No registration is necessary for the Pre-Retirement Seminars. Members are welcome to take this seminar as often as they like. It is important to note that members are free to attend the seminar all day, or sit in on only those topics of interest to them. For more information visit [www.ocers.org](http://www.ocers.org).