

# ON TRACK FOR THE FUTURE

[SAN JUAN-CAPISTRANO]

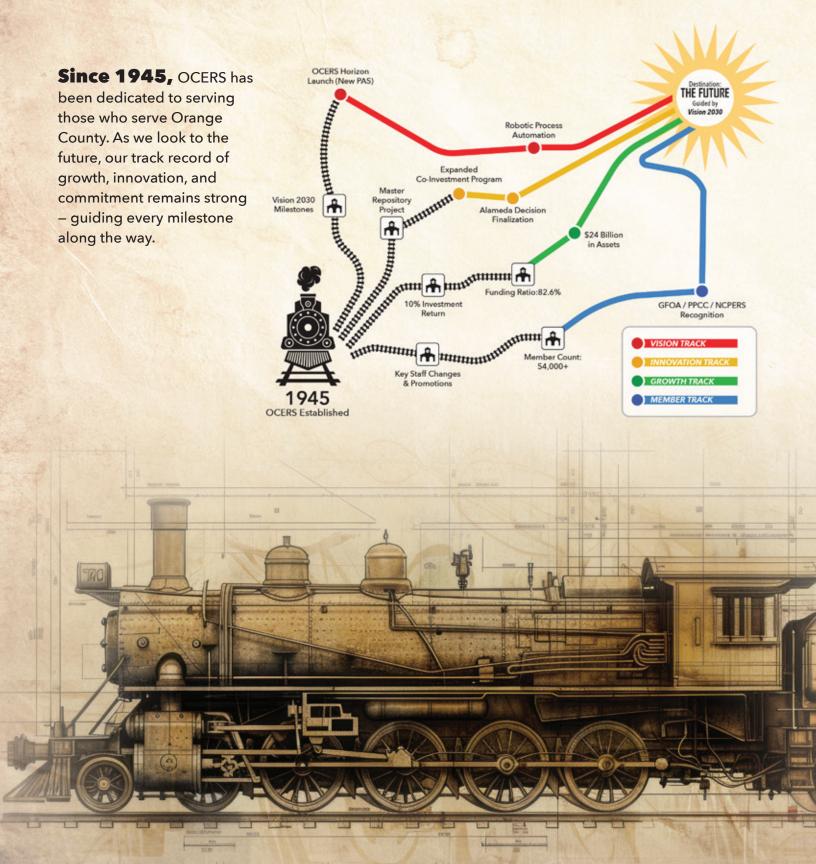
ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2024

OCERS Pension, Other Postemployment Benefit Trust Funds and Custodial Fund are considered a Component Unit of the County of Orange

**ORANGE COUNTY, CALIFORNIA** 

# FROM 1945 TO THE FUTURE OUR STRATEGIC JOURNEY





Orange County Employees Retirement System

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended December 31, 2024

**Prepared by**: The Finance Department of the Orange County Employees Retirement System

**Issued by:** Steve Delaney, Chief Executive Officer Brenda Shott, Assistant CEO of Finance and Internal Operations

### **Orange County Employees Retirement System**

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OCERS Pension, Other Postemployment Benefit Trust Funds and Custodial Fund are considered a Component Unit of the County of Orange



# MISSION

We provide secure retirement and disability benefits with the highest standards of excellence.

# VISION

To be a trusted partner providing premier pension administration, distinguished by consistent, quality member experiences and prudent financial stewardship.

# VALUES

Open and Transparent Commitment to Superior Service Engaged and Dedicated Workforce Reliable and Accurate Secure and Sustainable

# TABLE OF CONTENTS

# Section 1: Introductory

Letter of Iransmittal
Members of the Board of Retirement
Organization of OCERS
Administrative Organization Chart
List of Professional Consultants
Certificate of Achievement for Excellence in Financial Reporting 10
Public Pension Standards Award for Funding and Administration 11

# Section 2: Financial

Independent Auditor's Report	14
Management's Discussion and Analysis.	18

# **Basic Financial Statements**

Statement of Fiduciary Net Position	28
Statement of Changes in Fiduciary Net Position	29
Notes to the Basic Financial Statements	30

# **Required Supplementary Information**

Schedule of Changes in Net Pension Liability	
of Participating Employers.	64
Schedule of Investment Returns	66
Schedule of Employer Contributions.	66
Notes to the Required Supplementary Information	. 67
Significant Factors Affecting Trends in Actuarial Information	
– Pension Plan	. 68

## **Other Supplementary Information**

Schedule of Contributions	72
Schedule of Administrative Expenses	73
Schedule of Investment Expenses	74
Schedule of Payments for Professional Services	75

# **Section 3: Investments**

Investment Consultant's Statement	. 78
Investment Returns	. 85
Statement of Investment Objectives and Policies	. 86
Asset Diversification	. 87
Growth of System Net Investments at Fair Value	. 88
Historical Asset Allocation	. 88
History of Performance – Net	. 89
Schedule of Largest Equity Holdings	. 90
Schedule of Largest Fixed Income Holdings	. 90
Schedule of Commissions	. 91
Commission Recapture Program	. 91
Schedule of Investment Expenses and Investment Summary	. 92
List of Investment Managers	. 93

# **Section 4: Actuarial**

Actuary's Certification Letter.	96
Schedule of Funding Progress	100
History of Employer Contribution Rates	103
Summary of Active Membership	118
Summary of Retired Membership	109
Development of Actuarial and Valuation Value of Assets	110
Schedule of Funded Liabilities by Type	111
Actuarial Methods and Assumptions	112
Summary of Major Plan Provisions	122
Experience Analysis	131

# Section 5: Statistical

Statistical Section Review	134
Schedule of Changes in Fiduciary Net Position	
– Pension Trust Fund	134
Schedule of Changes in Fiduciary Net Position	
	135
Schedule of Changes in Fiduciary Net Position	
	135
Schedule of Changes in Fiduciary Net Position	100
– Custodial Fund – OCTA	
Schedule and Graph of Fiduciary Revenues by Source	
Schedule and Graph of Expenses by Type	
Schedule and Graph of Benefit Expenses by Type	
Schedule and Graph of Average Monthly Pension Check	
Schedule of Average Pension Benefit Payments by Years of Service .	
Schedule of Pension Benefit Recipients by Type of Benefit	
Schedule of Pension Benefit Recipients by Option Selected	
Schedule and Graph of Pension Benefit Recipients	
Schedule of Average Retirement Age	
Schedule of Average Years of Service at Retirement	145
Schedule of Beneficiaries Receiving a Pension	
Schedule of Active and Deferred Members	145
Schedule of Participating Employers – Pension Plan	
History of Actuarial Assumption Rates	147

# Section 6: Glossary

Glossary of Term	S	150
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# SECTION 1 INTRODUCTORY



## **Fullerton Transportation Center**

- Where the Journey Begins

Our journey begins in Fullerton, where the arrival of the Atchison, Topeka, and Santa Fe Railway in 1888 helped transform Orange County into a connected and rapidly growing region. This historic station became a symbol of progress and infrastructure – values that would later guide the developments of organizations like OCERS. Though our organization officially began in 1945, in Santa Ana, California, it represents the spirit of forward motion that defines our mission today.





### Active Participating Employers:

City of San Juan Capistrano

**County of Orange** 

Orange County Cemetery District

Orange County Children & Families Commission

Orange County Employees Retirement System

**Orange County Fire Authority** 

Orange County In-Home Supportive Services Public Authority

Orange County Local Agency Formation Commission

Orange County Public Law Library

Orange County Sanitation District

Orange County Transportation Authority

Superior Court of California, County of Orange

Transportation Corridor Agencies June 2, 2025

## To the Trustees, Members and Beneficiaries, and Participating Employers of the Orange County Employees Retirement System:

We are pleased to present the Annual Comprehensive Financial Report (Annual Report) of the Orange County Employees Retirement System (OCERS or System) as of and for the year ended December 31, 2024. The information contained in this report is intended to provide a detailed overview of the System's financial and investment results for the year ended December 31, 2024. It also includes information from the current actuarial valuations as of December 31, 2023.

### **OCERS HISTORY, PARTICIPANTS, AND SERVICES**

As we count down to our 80th anniversary, OCERS proudly reflects on its legacy of providing service retirement, disability, death, and survivor benefits to members since 1945. These benefits are administered in accordance with the County Employees Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA).

Pursuant to certain provisions of CERL, OCERS is an independent governmental unit within the County of Orange, with a separate operating budget and professional staff. The California Constitution gives the Board of Retirement full authority over the administration of the System, which includes administering plan benefits for over 54,000 members, managing \$24 billion in net assets, and serving 13 participating employers. A complete listing of both active and inactive employers as of December 31, 2024, can be found on page 30, Section 2 of the Annual Report, Under Note 1: Plan Descriptions.

In 2024, OCERS proudly upheld its tradition of exceptional service and support for our members. We remained on track with several key multi-year initiatives aligned with our technology-forward Vision 2030. Highlights included continued implementation of the Alameda decision, progress on the next-generation Pension Administration System, development of a centralized repository for procedures and business documents, and exploration of intelligent automation and robotic process automation solutions.

This year's Annual Report theme, "On Track for the Future," draws inspiration from Orange County's historic train stations and railway system. The theme reflects OCERS' commitment to guiding members along their journey to a secure retirement. As we move steadily toward Vision 2030, we are proud to highlight the significant achievements, innovations, and positive impact OCERS has made on behalf of our members.

### **MAJOR INITIATIVES AND SIGNIFICANT EVENTS**

### Vision 2030

During 2024, OCERS continued to make progress with the Vision 2030 initiative, the longterm strategic goal of leveraging technology and we are actively pursuing opportunities using some form of Robotic Process Automation (RPA), Machine Learning (ML) and/or Artificial Intelligence (AI). In addition, OCERS has business procedure documentation services to assist staff with a comprehensive standardized library of business processes

(continued)

and procedures across the organization. This will ensure consistent application of rules and procedures by OCERS staff, as well as lay a foundation for programming a new pension administration system that will support Vision 2030.

### New Pension Administration System

In 2024, OCERS launched OCERS Horizon, a multi-year initiative to implement a new Pension Administration System (PAS) designed to enhance service delivery, improve operational efficiency, and support long-term organizational goals. As part of this effort, OCERS engaged a consulting partner to assist with developing a comprehensive Request for Proposal (RFP), gather detailed business and technical requirements, and help envision a modern solution aligned with the organization's and its members' future needs. These foundational activities mark critical first steps in the OCERS Horizon project and reflect OCERS' commitment to delivering a secure, reliable, and member-focused system. The organization looks forward to continued progress as it moves into the subsequent phases of RFP development and solution evaluation activities.

### Staffing

At the Board of Retirement meeting on October 21, 2024, the Board approved the creation of four new positions and the elimination of two vacant positions as part of the 2025 Staffing Plan. These new roles have been allocated across the Information Technology, Executive, and Investment departments.

This staffing adjustment aligns with Vision 2030, particularly in Technology Modernization and Organizational Excellence, by ensuring we have the staff and resources needed to improve efficiency, deliver high-quality services, and adapt to the future needs of our members.

### Key Staff Additions

In 2024, OCERS celebrated the retirement of Suzanne Jenike, who served as Assistant CEO, External Operations. Following her departure, David Kim, formerly the Director of Internal Audit, was promoted to the Assistant CEO role. OCERS also welcomed Philip Lam as the new Director of Internal Audit.

### Alameda Decision

As stated last year, in late July 2020, the California Supreme Court issued an opinion in what is known as the "Alameda" case (Alameda County Deputy Sheriffs Association et al. v. Alameda County Employees Retirement Association and Board of Retirement of ACERA (S247095)). This decision impacted how OCERS and other public pension systems in California pay benefits to members who receive certain pay items. OCERS has no authority or discretion to calculate pension benefits in a manner inconsistent with the Supreme Court decision.

At the time of the decision, roughly 3,600 Active, Deferred and Retired members were determined to be affected by the decision. OCERS staff have completed the complex and crucial tasks related to recalculating the retirement allowances of over 650 impacted retirees, as well as refunding overpaid employee contributions and interest. In addition, OCERS staff have completed the required recalculation of retirements for certain Orange County Sheriff's Department (OCSD) and Orange County District Attorney (OCDA) Safety members who were included in the Orange County Board of Supervisor Resolution passed in December 2022. We are currently in the process of collecting the repayment of these members previously refunded contribution and interest as well as any missing gap period contributions on the on-call and canine handler pay that was not collected from September 11, 2020, onward. OCERS staff aim to close out the entire Alameda project by June 30, 2025.

# **FINANCIAL INFORMATION**

OCERS' management is responsible for the complete and fair presentation of the financial information in accordance with accounting principles generally accepted in the United States of America (GAAP). To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and operating results of OCERS. Moss Adams LLP audited the accompanying basic financial statements and related disclosures and has issued an unmodified opinion in the independent auditor's report found on page 14, Section 2 of the Annual Report. The financial audit provides reasonable assurance that OCERS' financial statements are presented in conformity with GAAP and are free from material misstatement.

(continued)

The Annual Report was prepared in accordance with GAAP and reporting guidelines set forth by the Governmental Accounting Standards Boards (GASB) and CERL. GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. OCERS' MD&A can be found immediately following the independent auditor's report.

OCERS' management is responsible for establishing a system of internal controls to safeguard assets, maintain accurate and reliable accounting records, protect member privacy detect and prevent fraud, and provide a reasonable basis for asserting that financial statements are fairly presented. OCERS' internal controls are designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgment by management. In addition, oversight of internal controls and operational efficiency is provided by OCERS' Audit Committee and supported by internal audit staff.

# **INVESTMENT ACTIVITIES**

The Board of Retirement (with the participation of the Investment Committee, OCERS' Investments Team, and Investment Consultants) has exclusive control of all investments of the System and is responsible for the establishment of investment objectives, strategies, and policies.

OCERS' Investment Policy Statement helps guide decisions that impact OCERS' investment structure with the overall objective to invest the assets of the System solely for the benefit of its members while attempting to minimize employer contributions and investment and administration costs. OCERS' Investments Team conducted 760 total meetings and virtual calls with current and prospective investment managers in 2024.

OCERS' Investment Committee approved expanding the co-investment program beyond private equity to other private market asset classes including: real assets, private income strategies, and unique strategies. The OCERS Investments Team established a pool of secondaries advisors and completed both secondaries purchase and sales transactions in 2024. The OCERS Investment Committee also approved the use of portfolio leverage of 0-5% of total fund assets as a tool to efficiently manage liquidity needs and to optimize portfolio positioning within the Board specified asset class ranges.

For the year ended December 31, 2024, OCERS' investment portfolio had a gain of 10.0%, net of fees. This is much higher than the long-term actuarial assumed rate of return of 7.0%. As the average years of service for a new OCERS retiree approximates 22 years for general and 20 years for safety members, our net annualized return of 6.9% over the last 20 years closely aligns with the assumed earnings rate over a similar period.

# PENSION ACTUARIAL FUNDING STATUS

OCERS is committed to maintaining a funding policy that establishes contribution levels to fully fund the System's liabilities. The goal is to keep these contributions, as a percentage of payroll, as level as possible across generations of active members. This approach ensures that each generation of active members fully funds its own obligations, preventing any financial burden from being passed on to future members.

Actuarial valuations are performed annually with actuarial experience investigations conducted triennially in accordance with state statute. The use of realistic assumptions is important in maintaining the necessary funding while paying promised benefits. Each year the actual experience of the System is compared to actuarial assumptions and any differences are analyzed to determine if adjustments to contribution requirements are needed. In addition, triennially, the actuarial experience investigation is undertaken to review the actuarial assumptions and compare the actual experience during the preceding three-year period with that expected under those assumptions. The most recent experience investigation, covering plan years 2020 through 2022, was completed in 2023.

(continued)

The Board adopted the recommendations for several major assumption categories that were incorporated into the 2022 actuarial valuation, including maintaining the assumed rate of return at 7.0%, the inflation rate at 2.50%, and the retiree cost-of-living assumption at 2.75%. As of the most current actuarial valuation for the year ended December 31, 2023, OCERS' funding status was 82.6% on a valuation value of assets basis, versus 80.1% on a fair value of assets basis, with an Unfunded Actuarial Accrued Liability (UAAL) of \$4.7 billion. Average employer and employee contribution rates for the year ended December 31, 2023, were 38.1% and 11.7%, respectively.

## BUDGET

The Board of Retirement approves OCERS' annual budget. The 1937 Act limits OCERS' annual administrative expenses, excluding the costs of administration for computer software and hardware and computer technology consulting services, to twenty-one hundredths of one percent (0.21%) of OCERS' actuarial accrued liability. OCERS' 2024 allowable administrative expense of \$29.3 million was 0.10% of OCERS' Actuarial Accrued Liability.

# AWARDS AND RECOGNITION

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to OCERS for its Annual Comprehensive Financial Report for the year ended December 31, 2023. To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

OCERS was also the recipient of the Public Pension Coordinating Council (PPCC) Award in recognition of compliance with professional standards for plan funding and administration for the year ended December 31, 2023. This is awarded to a retirement system that meets the professional standards for plan design and administration as set forth in the Public Pension Standards, including a Comprehensive Benefit Program, Funding Adequacy, Actuarial Valuation, Independent Audit, Investments, and Communications. A Public Pension Standards Award is valid for a period of one year.

Lastly, the National Conference on Public Employee Retirement Systems (NCPERS) has recognized OCERS' Director of Communications, Mary-Joy Coburn, with the inaugural 2024 Public Pension Communicator of the Year – Rising Star award. This new honor celebrates outstanding growth, leadership, and innovation in public pension communications, fostering trust and engagement across organizations.

# ACKNOWLEDGEMENTS

We would like to take this opportunity to thank the members of the System for their continued confidence in OCERS during the past year. Also, we would like to express our thanks to the Board of Retirement for its dedicated efforts in supporting the System throughout this past year. Finally, we would like to thank the staff and consultants for their commitment to OCERS and their diligent work to assure the System's continued success.

Respectfully submitted,

Fere Dalay

Steve Delaney Chief Executive Officer

Munda M Short

Brenda Shott Assistant Chief Executive Officer, Finance & Internal Operations

# **MEMBERS OF THE BOARD OF RETIREMENT**

As of December 31, 2024



# ORGANIZATION OF OCERS

# **Board of Retirement**

The Board of Retirement is responsible for establishing policies governing the administration of the retirement plan, disability determinations, assuring benefit payments, establishing investment policy for the System, and monitoring the execution of its policies. The Board of Retirement consists of nine members and one alternate. Four members of the Board of Retirement are appointed by the Board of Supervisors of the County; four members are elected by active members of the System, including two by the general members, two by the safety members, of which one is the alternate member; one member is elected by the retirees; and the Treasurer of the County, elected by registered voters in the County, serves as an Ex-Officio member.

## **Executive Division**

This division consists of the Chief Executive Officer (CEO), who implements and executes policies promulgated by the Board of Retirement. Two Assistant CEOs, a Chief Investment Officer, and a General Counsel assist the CEO in the daily operations of the System. This division also oversees the following departments: Internal Audit, Enterprise Project Management Office, and Communications.

The Internal Audit Department is responsible for objectively assessing the organization's governance, risk management, and internal control practices.

The Enterprise Project Management Office (EPMO) is responsible for aligning all projects and project-related activities with OCERS Business strategy and objectives. The EPMO establishes standardized methodologies for project management, governance frameworks, and best practices while providing consistent project execution throughout the enterprise.

The Communications Department is responsible for developing and coordinating information for members and employers through publications, newsletters, seminars, video content, social media and publishing content to the website.

### **Investment Division**

This division is responsible for the administration and management of the investment program, in accordance with policies, regulations, and guidelines set forth by the Board of Retirement. It is responsible for the interface with investment managers, including hiring and termination of investment managers, monitoring investment performance objectives, adherence to investment guidelines, conducting due diligence visits to investment managers' sites, and interviewing prospective investment managers. This division is also responsible for the interface with outside investment consultants in reviewing and evaluating all investment managers' performance and investment manager fees. Refer to the Investment Section on pages 91 and 92 for the Schedule of Commissions and Schedule of Investment Expenses and Investment Summary.

# **External Operations Division**

This division is comprised of the following departments: Member Services and Disabilities.

The Member Services Department is responsible for providing all benefit services to the members of the System. This includes benefit calculations, preparation of data to support applications for retirement, preparation of the retiree payroll, processing contribution transmittals, membership counseling, and retirement seminars.

The Disabilities Department is responsible for reviewing claims and medical records of the members of the System; interviewing applicants and witnesses; preparing written reports of findings and recommendations; and making presentations to the Disability Committee and the Board of Retirement regarding the disposition of cases.

# **Internal Operations Division**

This division is comprised of the following departments: Finance, Information Technology, Information Security, Human Resources, and Operations Support Services.

The Finance Department is responsible for all of the financial records and reports of OCERS. This includes the preparation of the Annual Comprehensive Financial Report, monthly and quarterly financial statements and the annual operating budget. The Finance Department also maintains OCERS' system of internal controls; processes and accounts for retirement payroll and refunds of contributions and interest to members; collects and accounts for employers' and members' contributions; reconciles investment portfolios; and pays costs incurred for goods received and services rendered.

The Information Technology Department is responsible for managing and supporting OCERS' technology infrastructure and systems and plays a crucial role in maintaining and securing computer networks, servers, and databases. In addition they oversee the development, implementation, and maintenance of software applications, provides technical support to users and is responsible for data management.

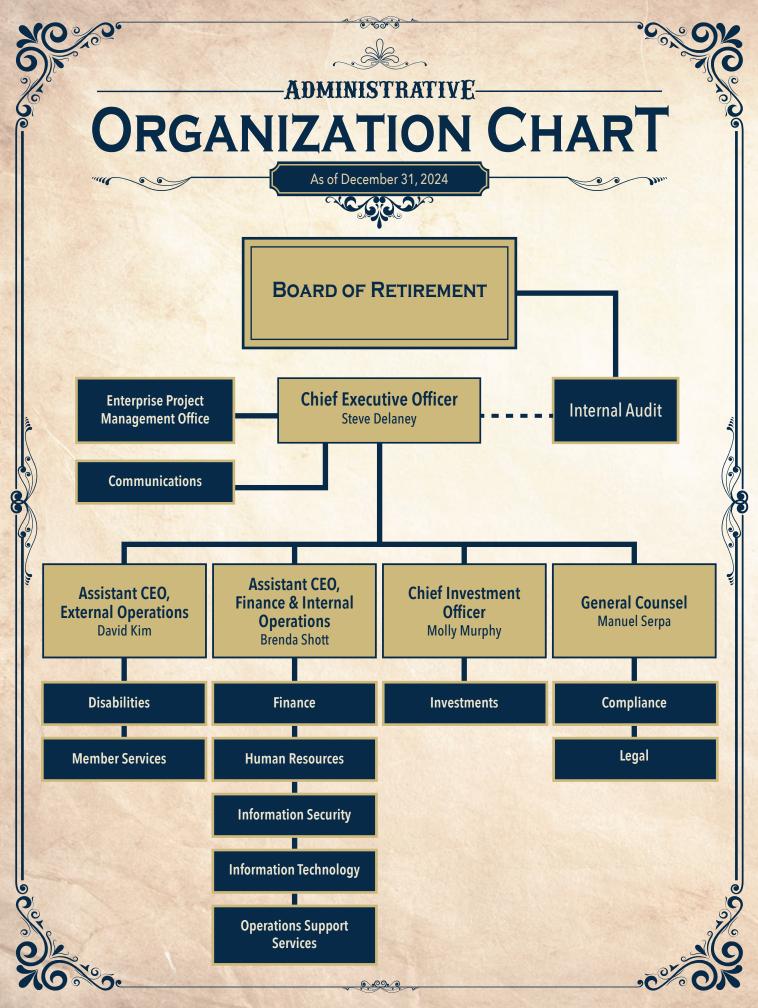
The Information Security Department is responsible for overseeing the security of OCERS' data and systems with a focus on protecting members' information and the systems, which are relied on for daily operations.

The Human Resources Department is responsible for providing human resources services including leading recruitment and on-boarding efforts, training and developing staff, supporting a high performing workforce, health and safety, maintaining intraoffice relationships, and other labor relations.

The Operations Support Services Department is responsible for procurement and contract administration, operational risk management, facilities management, building safety and security, and mailroom operations. In addition, this department is responsible for overseeing the business continuity/ disaster recovery program.

# **Legal Division**

This division provides legal advice, representation to the Board of Retirement and OCERS on a wide variety of issues, and administers the compliance program. Among other things, this includes issues involving pension benefits, disability retirements, investments, legislation and vendor contracts.



# LIST OF PROFESSIONAL CONSULTANTS

As of December 31, 2024

Actuary The Segal Company

### **Investment Consultant**

Meketa Investment Group

# Private Equity and Private Real Assets Consultant

Aksia LLC

# **Real Estate Consultant**

The Townsend Group

## **Independent Auditor**

Moss Adams LLP

### **Investment Counsel**

DLA Piper LLP Foley & Lardner, LLP K&L Gates LLP Morgan, Lewis, & Bockius LLP Nossaman LLP Proskauer Rose LLP Seyfarth Shaw LLP

## **Fiduciary Counsel**

Reed Smith, LLP

### Tax Counsel Buchalter

Custodian

State Street Bank and Trust Company

Note: Please refer to pages 91-93 in the Investment Section for the Schedule of Commissions, Schedule of Investment Expenses and Investment Summary and List of Investment Managers.

# CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING



# PUBLIC PENSION STANDARDS AWARD FOR FUNDING AND ADMINISTRATION



# Public Pension Coordinating Council

# Public Pension Standards Award For Funding and Administration 2024

Presented to

# **Orange County Employees Retirement System**

In recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA) National Conference on Public Employee Retirement Systems (NCPERS) National Council on Teacher Retirement (NCTR)

alan Helinple

Alan H. Winkle Program Administrator

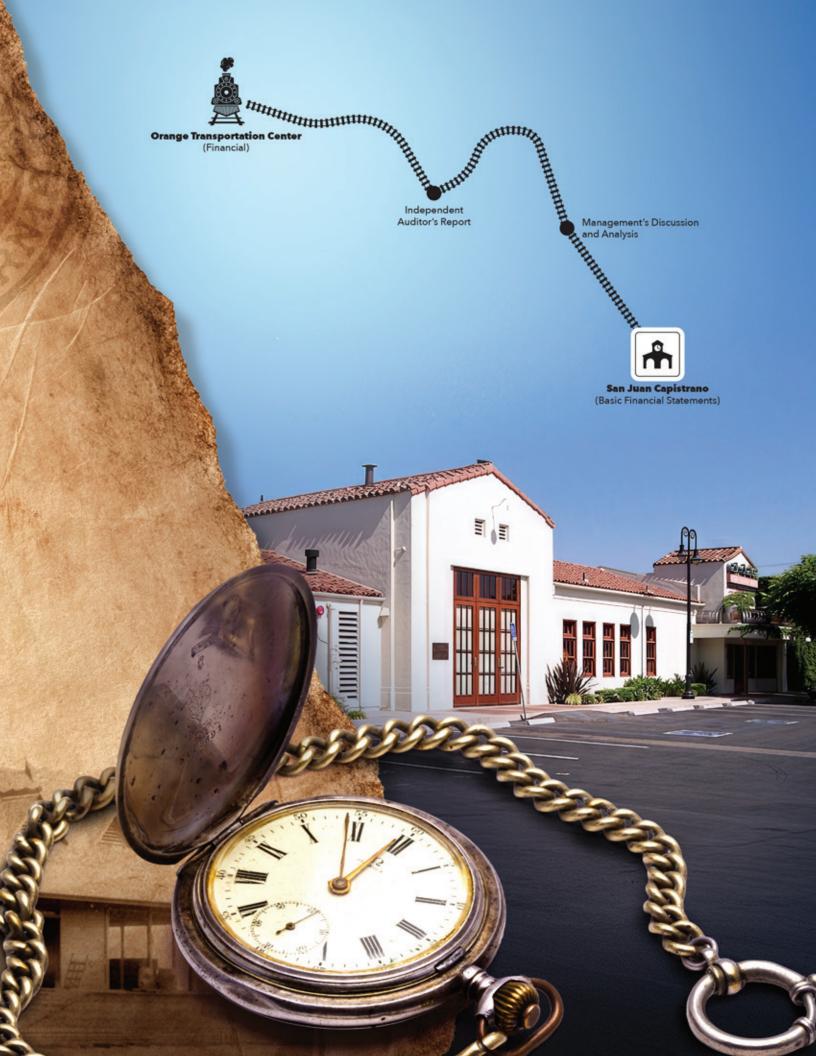
# SECTION 2 Financial



# **Orange Transportation Center**

- Built on Connection, Strengthened by Change

The original Orange Santa Fe Depot opened in 1888, serving as a vital link for passengers and commerce in a rapidly growing region. Though the wooden structure was lost to fire in the early 20th century, its role in shaping Orange's transportation legacy remains firmly rooted. The current Mission Revival-style building, constructed in 1938, honors that history with its stucco walls, red tile roof, and enduring charm. Like OCERS, the Orange Transportation Center reflects the power of continuity through change – reminding us that even as we adapt, the spirit of public service and community connection endures.





### **Report of Independent Auditors**

The Board of Retirement Orange County Employees Retirement System

#### **Report on the Audit of the Financial Statements**

### **Opinions**

We have audited the accompanying pension trust fund, heath care fund – County, health care fund – OCFA, and the custodial trust fund – OCTA in the statement of fiduciary net position of Orange County Employees Retirement System (the System) as of and for the year ended December 31, 2024, and the related pension trust fund, heath care fund – County, health care fund – OCFA, and the custodial trust fund – OCTA in the statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the pension trust fund, heath care fund – County, health care fund – OCFA, and the custodial trust fund – OCTA of the System as of December 31, 2024, and the related respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Financial Reporting Entity**

As discussed in Note 1, the financial statements present only the fiduciary net position and changes in fiduciary net position of the System and do not purport to, and do not, present fairly the financial position of the County of Orange, California, as of December 31, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

(continued)

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

#### **Prior-Year Comparative Information**

We have previously audited the System's 2023 financial statements, and we expressed an unmodified opinion on the pension trust fund, heath care fund – County, health care fund – OCFA, and the custodial trust fund – OCTA of the System, which are summarized in the comparative totals 2023 column, in our report dated June 6, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability of participating employers, schedule of investment returns, schedule of employer contributions, notes to the required supplementary information and significant factors affecting trends in actuarial information - pension plan (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The schedule of contributions, schedule of administrative expenses, schedule of investment expenses, and schedule of payments for professional services (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investments, actuarial and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

(continued)

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2025 on our consideration of the Orange County Employees Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Moss Adams HP

Irvine, California June 2, 2025

The Management's Discussion and Analysis (MD&A) of the Orange County Employees Retirement System (OCERS or System) presents the financial performance and provides a summary of OCERS' financial position and activities as of and for the year ended December 31, 2024. The narrative overview and analysis are presented in conjunction with the Letter of Transmittal, included in Section 1: Introductory of this Annual Comprehensive Financial Report. The MD&A should be read in conjunction with OCERS' Basic Financial Statements as presented in this report. Amounts in this section have been grouped together to facilitate readability.

OCERS administers the OCERS pension plan—a cost-sharing multiple-employer defined benefit pension plan (the Plan) as well as acts as a trustee and custodian for retirement health benefit plan funds that are sponsored by participating employers. OCERS' financial information is comprised of four fiduciary funds: a defined benefit pension trust fund, two other postemployment benefit (OPEB) trust funds for retiree medical plans and a custodial fund held for the Orange County Transportation Authority (OCTA).

# **Financial Highlights**

- Fiduciary Net Position: The Plan's net position restricted for pension, other postemployment benefits and employer totaled \$24.6 billion as of December 31, 2024, an increase of \$2.2 billion, or 10.0%, compared to the prior year. This growth was primarily driven by higher investment returns and contributions throughout the year.
- Additions: Total additions to fiduciary net position increased \$152.4 million or 4.4%, from \$3.4 billion in 2023 to \$3.6 billion in 2024.
  - **Contributions:** Total contributions from employers and employees totaled \$1.2 billion in 2024, an increase of \$149.3 million or 14.2%, over 2023.
  - **Investment Income:** Net investment income totaled \$2.4 billion in 2024; reflecting a modest increase of \$3.1 million or 0.1,% from 2023. The year-to-date net return on investments was 10.0% in 2024 versus 11.4% in 2023.
- **Deductions:** Total deductions from fiduciary net position increased \$71.1 million or 5.5%, from \$1.3 billion in 2023 to \$1.4 billion in 2024. This growth was primarily driven by an increase in pension benefit payments.
  - Benefit Payments: Pension benefits paid to members rose \$65.3 million or 5.4%, from \$1.2 billion in 2023 to \$1.3 billion in 2024. The average annual benefit paid to retired members and beneficiaries during 2024 was \$58,216, an increase of 3.2% over the average annual benefit payment of \$56,397 in 2023.
  - **Membership Growth:** Total membership grew by 1,841 members to 54,485. Active members increased by 586 (2.6%), retirees by 457 (2.1%), and deferred members by 798 (9.3%), reflecting both workforce expansion and system maturity.
- The annual actuarial funding valuation as of December 31, 2024 is not yet available at this time. Based upon the most recent
  actuarial funding valuation dated as of December 31, 2023, the funding status for the pension plan, as measured by the ratio of
  the actuarial value of assets (which smooths market gains and losses over five years) to the actuarial value of accrued liabilities was
  82.6% versus 80.8% if market gains and losses were recognized immediately.
- The net pension liability of participating employers as calculated in the December 31, 2024, Governmental Accounting Standards Board (GASB) Statement No. 67 Actuarial Valuation used for financial reporting purposes is \$4.0 billion, which as a percentage of covered payroll is 176.5%. The plan fiduciary net position of the pension trust fund of \$24.0 billion as a percentage of the total pension liability of \$27.9 billion is 85.8%.

### **Overview of the Financial Statements**

The following discussion and analysis serve as an introduction and overview of the OCERS' Basic Financial Statements. The Basic Financial Statements and required disclosures are prepared in accordance with accounting principles and reporting guidelines as set forth by the GASB. These pronouncements require OCERS to make certain disclosures and to report using the full accrual method of accounting.

18

(continued)

OCERS' Basic Financial Statements are comprised of the following:

### **Statement of Fiduciary Net Position**

The Statement of Fiduciary Net Position presents the major categories of assets and liabilities and their related value as of year-end. The difference between assets and liabilities is reported as "Net Position Restricted for Pension, Other Postemployment Benefits and Employer," representing funds available to pay future benefits to plan participants. The Statement of Fiduciary Net Position includes prior year-end total balances for comparative purposes. Increases and decreases in Net Position Restricted for Pension, Other Postemployment Benefits and Employer, when analyzed over time, may serve as an indicator of whether OCERS' financial position is improving or deteriorating. Other factors, such as market conditions, should also be considered when measuring the overall financial health of the System.

The County of Orange (County) and Orange County Fire Authority (OCFA) participate in irrevocable postemployment health care plan trusts (retiree medical plans) that are reported as other postemployment benefit trust funds in the Statement of Fiduciary Net Position as separate health care funds. OCERS serves as trustee for these trusts. Assets are commingled with pension trust assets for investment purposes and are used exclusively to pay health allowances. The County and OCFA have financial reporting responsibility of the retiree medical plans, including financial statement disclosures and required supplementary information regarding the retiree medical plans funded status and contributions, in accordance with GASB Statement No.74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans.* 

The OCTA has revocable trust assets held by OCERS in an investment capacity that are reported as a separate custodial fund. The purpose of the employer's trust is to provide certain OPEB benefits to eligible retired OCTA members. Assets are not commingled with those of the pension plan and health care plan trusts.

### **Statement of Changes in Fiduciary Net Position**

The Statement of Changes in Fiduciary Net Position provides information about the financial activities during the reporting period that increased and decreased Net Position Restricted for Pension, Other Postemployment Benefits, and Employer. The trend of additions versus deductions to the Plan indicates the strength of OCERS' financial position over time. For comparative purposes, prior year-end total balances are also provided.

To distinguish the activities of the health care plan trusts and the employer trust from the pension plan, the health care plan trusts and employer trust are reported separately in the Statement of Changes in Fiduciary Net Position as health care funds and a custodial fund, respectively.

### **Notes to the Basic Financial Statements**

The Notes to the Basic Financial Statements are an integral part of the basic financial statements and provide additional information that is essential to acquire a full understanding of the information provided in the two statements discussed above. The notes include further discussion and details regarding OCERS' key policies, programs, investments and activities that occurred during the year.

### **Required Supplementary Information**

The Required Supplementary Information (RSI) presents historical trend information related to the pension plan reported in the Basic Financial Statements. The pension plan includes a schedule of changes in net pension liability, a schedule of investment returns, a schedule of employer contributions and other required supplementary information as required by GASB Statement No.67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25* (GASB 67). The information contained in the schedules is based on the actuarial valuation prepared for the pension plan and includes additional actuarial information that contributes to the understanding of the changes in the net pension liability of participating employers in the pension plan. The actuarial information is based upon assumptions made regarding future events at the time the valuation was performed. Therefore, the amounts presented in the schedules are management's estimates. A summary of factors that affected the trends of the actuarial information is included in this section as well.

(continued)

### **Other Supplementary Information**

The Other Supplementary Information includes schedules pertaining to contributions by employers and members, administrative expenses, investment expenses, and payments for professional services.

### **Financial Analysis**

Tables 1 and 2 compare and summarize OCERS' financial activity for the current and prior years.

### Table 1 : Fiduciary Net Position

As of December 31, 2024 and 2023 (Dollars in Thousands)

	12/31/2024	12/31/2023	Increase / (Decrease)	Percentage Change
Assets				
Cash and Cash Equivalents	\$ 1,550,753	\$ 380,010	\$ 1,170,743	308.1%
Securities Lending Collateral	172,042	326,270	(154,228)	-47.3%
Receivables	383,287	204,584	178,703	87.3%
Investments at Fair Value	23,186,548	22,187,331	999,217	4.5%
Capital Assets, Net	6,259	6,927	(668)	-9.6%
Total Assets	25,298,889	23,105,122	2,193,767	9.5%
Liabilities				
Obligations Under Securities Lending Program	172,041	326,271	(154,230)	-47.3%
Securities Purchased	313,006	244,475	68,531	28.0%
Other	225,316	175,266	50,050	28.6%
Total Liabilities	710,363	746,012	(35,649)	-4.8%
Net Position Restricted for Pension, Other Postemployment Benefits and Employer	<u>\$24,588,526</u>	<u>\$22,359,110</u>	<u>\$       2,229,416</u>	10.0%

As of December 31, 2024, OCERS reported a net position of \$24.6 billion, restricted for pension, other postemployment benefits and employer. This reflects a \$2.2 billion increase, or 10.0% growth, compared to 2023. The increase in net position was driven by a \$2.2 billion increase in total assets and a \$35.6 million decrease in total liabilities.

Total assets increased by \$2.2 billion, primarily driven by a \$1.2 billion increase in cash and cash equivalents. This increase was largely in support of futures exposure related to OCERS' synthetic replication investment strategy, which provides passive exposure to non-U.S. equity markets. Investments measured at fair value also increased by \$999.2 million, reflecting strong portfolio performance, with a net return of 10.0% for the one-year period. In addition, receivables grew by \$178.7 million, primarily due to the timing of investment-related and contribution receivables. These increases were partially offset by a \$154.2 million decrease in securities lending collateral, reflecting reduced market demand for OCERS' U.S. and non-U.S. corporate bond and equity holdings.

Total liabilities decreased by \$35.6 million, primarily due to a reduction in obligations related to the securities lending program. This decrease corresponds with the previously noted decline in securities lending collateral. The overall reduction was partially offset by an increase in liabilities for securities purchased, driven by the timing of trade settlements, as well as a rise in other liabilities associated with OCERS' synthetic replication investment strategy, as previously discussed.

(continued)

# Table 2 : Changes in Fiduciary Net PositionFor the Years Ended December 31, 2024 and 2023

(Dollars in Thousands)

	12/31/2024	12/31/2023	Increase / (Decrease)	Percentage Change
Additions				
Employer Pension Contributions	\$ 846,363	\$ 749,776	\$ 96,587	12.9%
Employer Health Care Contributions	36,992	26,245	10,747	40.9%
Employee Pension Contributions	302,545	277,455	25,090	9.0%
Employer OPEB Contributions	17,669	794	16,875	2,125.3%
Net Investment Income	2,387,881	2,384,772	3,109	0.1%
Total Additions	3,591,450	3,439,042	152,408	4.4%
Deductions				
Participant Benefits - Pension	1,265,617	1,200,307	65,310	5.4%
Participant Benefits - Health Care	43,620	43,994	(374)	-0.9%
Death Benefits	1,593	1,190	403	33.9%
Member Withdrawals and Refunds	18,200	14,751	3,449	23.4%
Employer OPEB Payments	1,754	1,531	223	14.6%
Administrative Expenses - Pension	31,181	29,056	2,125	7.3%
Administrative Expenses - Health Care and Employer	69	70	(1)	-1.4%
Total Deductions	1,362,034	1,290,899	71,135	5.5%
Increase in Net Position Restricted for Pension, Other Postemployment Benefits and Employer	2,229,416	2,148,143	81,273	3.8%
Net Position Restricted for Pension, Other Postemployment Benefits and Employer				
Beginning of the Year	22,359,110	20,210,967		
End of the Year	<u>\$24,588,526</u>	<u>\$22,359,110</u>		

21

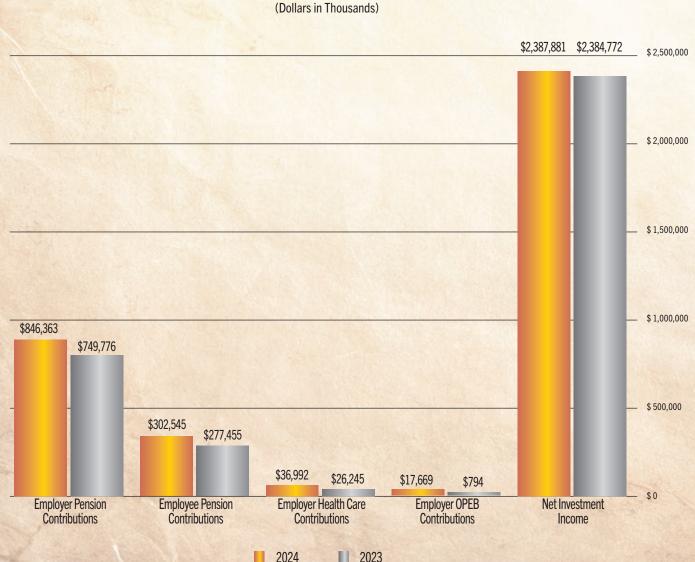
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## **Additions to Fiduciary Net Position**

The primary funding sources of pension benefits are participating employer and member contributions, along with investment earnings, net of investment expenses. Total additions for the year ended December 31, 2024, were \$3.6 billion compared to \$3.4 billion for the year ended December 31, 2023. This represents an increase of \$152.4 million, or 4.4%, primarily driven by a \$149.3 million increase in contributions and a \$3.1 million increase in net investment income.

Total contributions increased \$149.3 million over the prior year, largely due to a \$96.6 million rise in employer pension contributions, a \$25.1 million increase in employee contributions, and a \$16.9 million increase in employer OPEB contributions. These increases were driven by higher pension contribution rates and additional contributions made to the OCTA custodial fund.

Net investment income increased by \$3.1 million, or 0.1%, from the prior year. This increase can be attributed to a year-to-date return of 10.0% in 2024, compared to 11.4% in 2023. The overall economy remained relatively strong over the past year, with an increase in dividends, interest and other investment income. This increase was offset by a decrease in net appreciation in fair value due to sustained economic growth and cooling inflation.



Additions to Fiduciary Net Position

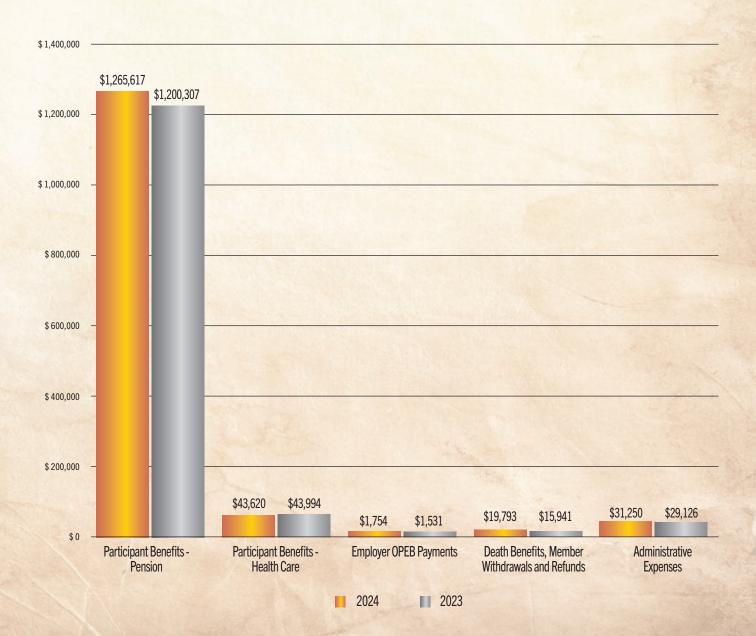
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## **Deductions from Fiduciary Net Position**

Expenses incurred by OCERS include payments of benefits to members and their beneficiaries, refunds of contributions to terminated members and the costs of administering the plan. Deductions from fiduciary net position increased \$71.1 million or 5.5% compared to the prior year, primarily due to the continued and anticipated growth in member pension benefit payments, both in the total number of OCERS' retired members receiving a pension benefit and the average benefit received. Participant benefit payments for pension increased by \$65.3 million. Total benefit recipients increased by 457, from 21,283 to 21,740. The average annual pension benefit increased from \$56,397 to \$58,216.

### **Deductions from Fiduciary Net Position**

(Dollars in Thousands)



(continued)

# **OCERS** Membership

The table below provides comparative OCERS' membership data for the last two years.

## Table 3 : Membership Data

As of December 31, 2024 and 2023

	12/31/2024	12/31/2023	Increase	Percentage Change
Active Members	23,368	22,782	586	2.6%
Retired Members	21,740	21,283	457	2.1%
Deferred Members	9,377	8,579	798	9.3%
Total Membership	54,485	52,644	<u> </u>	3.5%

Total OCERS' membership increased by 1,841 members (3.5%) in 2024, reflecting continued growth with the Plan. Active members increased by 586 members (2.6%), indicating stable contribution inflows. Retiree membership increased by 457 members (2.1%), and deferred membership saw a significant increase of 798 members (9.3%). This overall growth suggests a healthy and expanding membership base, with positive implications for plan stability, while also emphasizing the importance of long-term funding strategies to support increasing benefit obligations.

# **Actuarial Valuations**

To determine the current status of Net Position Restricted for Pension Benefits compared to future obligations, a calculation of the actuarial funding requirement is performed. An actuarial valuation includes an appraisal of both the assets available to pay future benefits and the liabilities of the System, which represent the actuarial present value of all future benefits expected to be paid for each member. One of the primary purposes of the valuation is to determine the amount of future contributions by the employees and employers, which will be required to pay all expected future benefits. OCERS utilizes an independent actuarial firm, The Segal Company (Segal), to prepare an annual valuation. The most recent Annual Actuarial Valuation as of December 31, 2023 is included in the Actuarial Section of this report and contains a detailed discussion of the funding requirements. This valuation is used for funding purposes and establishing employer and employee contribution rates. Segal also prepared a Governmental Accounting Standards Board (GASB) Statement No.67 Actuarial Valuation as of December 31, 2024, used for financial reporting purposes.

To prepare the valuations, the actuary must use several assumptions with regards to OCERS' members such as their life expectancy, projected salary increases over time, and the age at which members will retire. The actuary must also utilize assumptions with regards to how the assets will perform over time. All assumptions used by the actuary are reviewed and adjusted, as required, on a triennial basis and adopted by the Board of Retirement. The most recent triennial study was adopted by the Board on August 21, 2023, for the three-year experience period ended December 31, 2022. As a result, the following assumptions will be maintained as of the December 31, 2023 valuation: investment return at 7.0%; inflation at 2.50%; retiree cost-of-living at 2.75%; and active member payroll increases at 3.00%. Projected salary increases for general members lowered from a range of 4.00% to 11.00% to a range of 3.90% to 10.25% and for safety members, the range was changed from 4.60% to 15.00% to 4.50% to 15.00%. In addition, mortality rates apply Pub-2010 Benefit-Weighted mortality tables as a starting point ("base table"), projected generationally using the two-dimensional mortality improve scale MP-2021, with adjustments to reflect mortality trends specific to OCERS.

The GASB 67 valuation provides the calculation of the employers' pension liability. To accommodate the annual reporting requirements of our employers in a timely manner, the valuation was prepared using the December 31, 2023 valuation as the basis for calculating the total pension liability (TPL) and rolled forward to December 31, 2024. Based on this actuarial valuation, the TPL was \$27.9 billion compared to a fiduciary net position of \$24.0 billion, resulting in the employers' net pension liability (NPL) of \$4.0 billion and a fiduciary net position as a percentage of the TPL of 85.8% The NPL as a percentage of covered payroll was 176.5%.

24

(continued)

In the actuarial funding valuation for the pension plan as of December 31, 2023, the funding ratio of the valuation value of assets to actuarial accrued liabilities was 82.6%. The calculation of funding status takes into account OCERS' policy to smooth the impact of market volatility by spreading each year's gains or losses over five years. Using the fair value of assets as of the valuation date, the funded status of OCERS' pension plan was 80.8% in 2023.

# **Investment Summary**

OCERS' portfolio gained 10.0%, net of fees, for calendar year 2024, driven largely by an impressive year for public equity markets. OCERS' 2024 calendar year return ranked in the top 24% versus peers<sup>1</sup>. Over the trailing three-, five-, and ten-year periods, OCERS had respective returns of 4.1%, 8.0%, and 7.4% annualized, net of fees, ranking in the top 14%, 17%, and 25% of the peer group, respectively. OCERS' portfolio ended 2024 with a fair value of \$23.2 billion, up from \$22.2 billion at the end of 2023.

In 2024, the U.S. stock market saw strong gains fueled by resilient economic growth, easing inflation, and the outsized performance by big tech stocks, particularly those companies related to artificial intelligence.

OCERS' global public equity portfolio earned 16.9% in 2024. U.S. equities led the way gaining 23.6% during 2024, while non-U.S. developed market equities returned 3.8%. OCERS' emerging market equity portfolio earned 10.6% during the year.

Public fixed income markets lagged in 2024. While the Federal Reserve Board lowered interest rates three times for a total reduction of 100 basis points, the 10-year U.S. Treasury moved in the opposite direction putting pressure on fixed income markets. The yield on the U.S. 10-year Treasury began the year at 3.87% and ended 2024 at 4.57%. While duration disappointed in 2024, credit markets fared better despite tight spreads. Overall, OCERS' income strategies gained 4.7% for the year.

It is customary to report private market performance on a quarterly lag. Therefore, OCERS' year-end performance will reflect returns as of the end of the third quarter for many private equity, private credit, real estate, and real assets managers. OCERS' private real assets portfolio returned 8.6% in 2024, led by the infrastructure portfolio which produced a 10.3% return. Infrastructure continues to benefit from digital and energy transition tailwinds across the globe. OCERS' private equity portfolio gained 7.3% for the year. While real estate valuation declines showed signs of bottoming towards the back half of the year, 2024 was still a challenge for real estate markets. OCERS' real estate portfolio declined 4.0% in 2024.

# **Request for Financial Information**

This Annual Comprehensive Financial Report is designed to provide the Board of Retirement, plan members, participating employers, taxpayers, investment managers and other interested parties with a general overview of OCERS' financial condition and to demonstrate OCERS' accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional information to:

Orange County Employees Retirement System P.O. Box 1229 Santa Ana, CA 92702

<sup>1</sup> InvestorForce peer rankings are for defined benefit public funds over \$1 billion in assets.

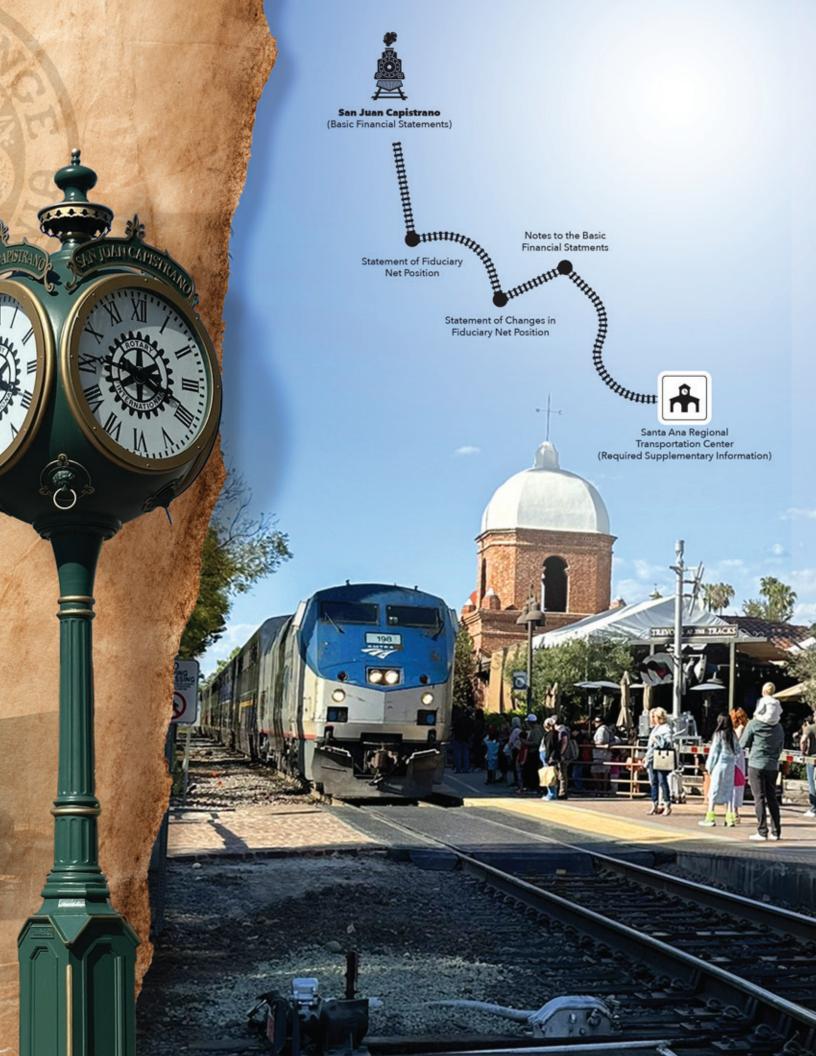
# SECTION 2 FINANCIAL: BASIC FINANCIAL STATEMENTS

### **San Juan Capistrano Station**

- Honoring Time, Reflecting Progress

Standing proudly by the tracks, the iconic green and gold clock at the San Juan Capistrano station reminds visitors that time is both a witness and a guide. Surrounded by Mission-style architecture and steeped in history, the station blends the enduring charm of Old California with the steady rhythm of modern transit. Much like OCERS, it reflects a legacy rooted in tradition while supporting the journey ahead – a place to pause, reflect, and appreciate how far we've come.

SAN JUAN-CAPISTRANO



# STATEMENT OF FIDUCIARY NET POSITION

As of December 31, 2024

(with summarized comparative amounts as of December 31, 2023)

(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund- County	Health Care Fund- OCFA	Custodial Fund - OCTA	Total Funds	Comparative Totals 2023
Assets	_					
Cash and Short-Term Investments						
Cash and Cash Equivalents	\$1,496,523	\$ 30,163	\$ 6,841	\$ 17,226	\$1,550,753	\$ 380,010
Securities Lending Collateral	167,891	3,384	767		172,042	326,270
Total Cash and Short-Term Investments	1,664,414	33,547	7,608	17,226	1,722,795	706,280
Receivables						
Investment Income	22,046	444	101	-	22,591	21,268
Securities Sales	205,183	4,136	938	-	210,257	131,586
Contributions	59,339	-	-	-	59,339	41,072
Foreign Currency Forward Contracts	879	18	4	-	901	1,655
Other Receivables	88,023	1,774	402		90,199	9,003
Total Receivables	375,470	6,372	1,445	-	383,287	204,584
Investments at Fair Value						
Global Public Equity	9,886,185	199,259	45,193	15,073	10,145,710	10,404,665
Private Equity	3,981,431	80,247	18,200	-	4,079,878	3,597,888
Income Strategies	3,730,232	75,184	17,052	5,621	3,828,089	3,235,902
Real Assets	2,979,869	60,060	13,622	-	3,053,551	3,011,847
Risk Mitigation	1,830,276	36,890	8,367	-	1,875,533	1,813,821
Unique Strategies	198,870	4,008	909		203,787	123,208
Total Investments at Fair Value	22,606,863	455,648	103,343	20,694	23,186,548	22,187,331
Capital Assets, Net	6,259				6,259	6,927
Total Assets	24,653,006	495,567	112,396	37,920	25,298,889	23,105,122
Liabilities						
Obligations Under Securities Lending Program	167,890	3,384	767	-	172,041	326,271
Securities Purchased	305,453	6,157	1,396	-	313,006	244,475
Unearned Contributions	40,624	-	-	-	40,624	38,502
Foreign Currency Forward Contracts	255	5	1	-	261	16
Retiree Payroll Payable	104,170	5,075	767	-	110,012	104,478
Other	72,623	1,464	332		74,419	32,270
Total Liabilities	691,015	16,085	3,263		710,363	746,012
Net Position Restricted for Pension, Other Postemployment Benefits and Employer	<u>\$23,961,991</u>	<u>\$ 479,482</u>	<u>\$ 109,133</u>	<u>\$ 37,920</u>	<u>\$24,588,526</u>	<u>\$22,359,110</u>

The accompanying notes are an integral part of these financial statements.

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2024

(with summarized comparative amounts for the Year Ended December 31, 2023)

(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund- County	Health Care Fund- OCFA	Custodial Fund - OCTA	Total Funds	Comparative Totals 2023
Additions						
Contributions						
Employer	\$ 846,363	\$ 6,404	\$ 30,588	\$-	\$ 883,355	\$ 776,021
Employee	302,545	-	-	-	302,545	277,455
Employer OPEB Contributions	-			17,669	17,669	794
Total Contributions	1,148,908	6,404	30,588	17,669	1,203,569	1,054,270
Investment Income						
Net Appreciation in Fair Value of Investments	2,108,284	39,634	7,900	2,519	2,158,337	2,253,248
Dividends, Interest, and Other Investment Income	406,483	8,193	1,858	48	416,582	303,877
Securities Lending Income						
Gross Earnings	11,600	234	53	-	11,887	12,526
Less: Borrower Rebates and Bank Charges	(10,832)	(218)	(50)		(11,100)	(11,577)
Net Securities Lending Income	768	16	3		787	949
Total Investment Income	2,515,535	47,843	9,761	2,567	2,575,706	2,558,074
Investment Fees and Expenses	(183,290)	(3,694)	(838)	(3)	(187,825)	(173,302)
Net Investment Income	2,332,245	44,149	8,923	2,564	2,387,881	2,384,772
Total Additions	3,481,153	50,553	39,511	20,233	3,591,450	3,439,042
Deductions						
Participant Benefits	1,265,617	35,885	7,735	-	1,309,237	1,244,301
Death Benefits	1,593	-	-	-	1,593	1,190
Member Withdrawals and Refunds	18,200	-	-	-	18,200	14,751
Employer OPEB Payments	-	-	-	1,754	1,754	1,531
Administrative Expenses	31,181	24	22	23	31,250	29,126
Total Deductions	1,316,591	35,909	7,757	1,777	1,362,034	1,290,899
Net Increase	2,164,562	14,644	31,754	18,456	2,229,416	2,148,143
Net Position Restricted For Pension, Other Postemployment Benefits and Employer, Beginning of Year	21,797,429	464,838	77,379	19,464	22,359,110	20,210,967
Ending Net Position Restricted For Pension, Other Postemployment Benefits and Employer	<u>\$ 23,961,991</u>	<u>\$ 479,482</u>	<u>\$ 109,133</u>	<u>\$                                    </u>	<u>\$ 24,588,526</u>	<u>\$ 22,359,110</u>

The accompanying notes are an integral part of these financial statements.

29

# NOTES TO THE BASIC FINANCIAL STATEMENTS NOTE 1 : Plan Descriptions

The Orange County Employees Retirement System (OCERS or System) was established in 1945 under the provisions of the County Employees Retirement Law of 1937 (CERL). OCERS is governed by a ten-member Board of Retirement, nine voting members and one alternate member. Board membership consists of four members appointed by the County of Orange Board of Supervisors, five members elected by the members of the System, including an alternate, two by the general members, one by the safety members, and one by the retired members. Safety members elect the alternate member. The County of Orange Treasurer Tax-Collector, elected by the voters registered in the County, serves as an Ex-Officio member.

OCERS operates as a cost-sharing multiple-employer defined benefit pension plan for the County of Orange, Orange County Superior Court of California, City of San Juan Capistrano, and ten special districts: Orange County Cemetery District, Children and Families Commission of Orange County, Orange County Employees Retirement System, Orange County Fire Authority, Orange County In-Home Supportive Services Public Authority, Orange County Local Agency Formation Commission (LAFCO), Orange County Public Law Library, Orange County Sanitation District, Orange County Transportation Authority and Transportation Corridor Agencies. Capistrano Beach Sanitary District, Cypress Recreation & Parks District, Orange County Mosquito and Vector Control District, City of Rancho Santa Margarita, the Orange County Department of Education and the University of California, Irvine Medical Center and Campus are no longer active employers, but retired members and their beneficiaries, as well as deferred members, remain in the System. OCERS is legally and fiscally independent of the County of Orange.

### **Pension Plan Membership**

OCERS provides retirement, disability and death benefits to general and safety members. Safety membership includes those members serving in active law enforcement, fire suppression and as probation officers. General membership applies to all other occupations. Plan retirement benefits are tiered based upon date of OCERS membership. Tier I members were hired prior to September 21, 1979 and use their highest one-year average salary to determine their retirement allowance while Tier II members were hired on or after September 21, 1979 and use their highest three-year average salary to determine their retirement allowance. All Public Employees' Pension Reform Act (PEPRA) members hired on or after January 1, 2013 are Tier II and use their highest three-year average salary to determine their retirement allowance. All Public Employees' Pension Reform Act (PEPRA) members rate groups are determined by employer, bargaining unit, and benefit plan (a description of the benefit plans can be found under Member Retirement Benefits). The benefit plan represents the benefit formula and tier that will be used in calculating a retirement benefit. All regular employees scheduled to work 20 hours or more per week become members of the plan upon commencing employment with one of OCERS' employers, with the exception of a provision adopted in 2014 that allows new members over the age of 60 to opt out of the plan if their employer has implemented the provision. Active members in the following table are categorized as service retirement eligible when certain criteria are met, such as completing five years of accredited service or reaching the age of 70. Additional information regarding the pension plan's benefit structure is included in the Summary Plan Description that is available on the web at https://www.ocers.org/summary-plan-description.

The following table is a summary of OCERS' general and safety membership as of December 31, 2024, consisting of active members, retired members or their beneficiaries, and deferred members who have terminated, but are not yet receiving benefits (further information regarding benefit eligibility for deferred members is described under the Deferred Members Benefits section):

NOTE 1 : Plan Descriptions (continued)

# OCERS Membership - General Members As of December 31, 2024

-		710 01	December 31, 2				
Rate Group	Benefit Plan	Tier	Active Vested	Active Non-Vested	Retired Members & Beneficiaries	Deferred Members	Total
1	А		-	-	257	1	258
1	В		402	4	577	266	1,249
1	U	II-PEPRA	412	1,019	25	707	2,163
Rate Group 1 Total			814	1,023	859	974	3,670
2	А		-	-	2,196	6	2,202
2	В	I	-	-	1,790	483	2,273
2	I		4	-	1,100	-	1,104
2	J	I	5,930	71	8,597	2,343	16,941
2	Р	I	136	16	21	105	278
2	S		6	2	5	12	25
2	Т	II-PEPRA Compliant	3,241	4,287	68	3,245	10,841
2	U	II-PEPRA	496	832	13	251	1,592
2	W	II-PEPRA Alternative	1	-	-	1	2
Rate Group 2 Total			9,814	5,208	13,790	6,446	35,258
3	A		-	-	62	-	62
3	В		43	7	74	42	166
3	G	I	-	-	30	-	30
3	Н		178	-	475	51	704
3	U	II-PEPRA	200	197	9	78	484
Rate Group 3 Total			421	204	650	171	1,446
4	Н		-	-	1	-	1
Rate Group 4 Total			-	-	1	-	1
5	А		1	-	337	2	340
5	В	I	622	13	1,309	474	2,418
5	U	II-PEPRA	209	528	10	326	1,073
Rate Group 5 Total			832	541	1,656	802	3,831
9	А		-	-	3	-	3
9	В		-	-	10	12	22
9	Ν		15	2	57	37	111
9	U	II-PEPRA	18	27	4	33	82
Rate Group 9 Total			33	29	74	82	218
10	А		-	-	5	-	5
10	В	I	-	-	37	6	43
10	I	I	-	-	15	-	15
10	J	l	61	-	192	85	338
10	Ň		22	12	11	27	72
10	U	II-PEPRA	97	141	8	205	451
Rate Group 10 Total	-	•	180	153	268	323	924
11	А		-	-	3	-	3
11	В		-	-	3	-	3
11	Ν	l	12	-	9	2	23
11	U	II-PEPRA	7	6	1	2	16
Rate Group 11 Total			19	6	16	4	45
12	В	l	-	-	3	1	4
12	Н	l	10	-	10	1	21
12	U	II-PEPRA	2	2	-	-	4
Rate Group 12 Total			12	2	13	2	29
Total General Memb	pers		12,125	7,166	17,327	8,804	45,422
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NOTE 1 : Plan Descriptions (continued)

Rate Group	Benefit Plan	Tier	Active Vested	Active Non-Vested	Retired Members & Beneficiaries	Deferred Members	Total
6	С	I	-	-	85	-	85
6	D	I	-	-	43	33	76
6	E	I	-	-	45	-	45
6	F	I	450	2	484	159	1,095
6	V	II-PEPRA	58	84	-	28	170
Rate Group 6 Total			508	86	657	220	1,471
7	С	I	-	-	387	-	387
7	D	I	-	-	287	19	306
7	E	I	-	-	272	-	272
7	F	I	597	-	1,703	76	2,376
7	R	I	350	28	37	42	457
7	V	II-PEPRA	644	634	43	75	1,396
Rate Group 7 Total			1,591	662	2,729	212	5,194
8	С	I	-	-	26	-	26
8	D	I	-	-	67	2	69
8	E	I	-	-	16	-	16
8	F	I	450	1	900	35	1,386
8	R	I	145	16	11	14	186
8	V	II-PEPRA	265	353	7	90	715
Rate Group 8 Total			860	370	1,027	141	2,398
Total Safety Member	'S		2,959	1,118	4,413	573	9,063
Grand Total			15,084	8,284	21,740	9,377	54,485

### **OCERS Membership - Safety Members**

As of December 31, 2024

## **Member Retirement Benefits**

Members are entitled to receive a retirement allowance with ten or more years of service credit beginning at age 50 (5 years of service and age 52 for General PEPRA plans and 5 years of service and age 50 for Safety PEPRA, for all plans except those identified as PEPRA compliant and PEPRA alternative), at any age with thirty years of service credit (twenty years of service credit for safety members), or if a part-time employee at age 55 or older with five or more years of service credit and at least ten years of active employment with a sponsoring agency covered by OCERS. Members attaining age 70 are eligible to retire regardless of credited service. Benefits received are determined by plan formula, age, years of service, and final average salary. Member rate groups and benefit plans as of December 31, 2024, are as follows:

NOTE 1 : Plan Descriptions (continued)

# Rate Groups and Benefit Plans As of December 31, 2024

Rate Group	Plan Type	Benefit Plan	Benefit Formula per Year of Service	Employers
#1	General	А	2.0%@57	County of Orange and OC In-Home Supportive Services Public Authority
		В	1.67% @ 57.5	(OC Department of Education, UCI Medical Center and Campus, Capistrano Beach Sanitary District, Cypress Recreation & Parks District, and OC Mosquito and Vector
		U	2.5% @ 67 PEPRA	Control District are no longer active employers)
#2	General	А	2.0%@57	
		В	1.67% @ 57.5	
		I	2.7%@55	
		J	2.7%@55	County of Orange; City of San Juan Capistrano; Orange County LAFCO; OCERS;
		Р	1.62%@65	Orange County Superior Court of California; and Children and Families Commission
		S	2.0% @ 57	of Orange County
		Т	1.62% @ 65 PEPRA Compliant	
		U	2.5% @ 67 PEPRA	
		W	1.62% @ 65 PEPRA Alternative	
#3	General	А	2.0% @ 57	
		В	1.67% @ 57.5	
		G	2.5% @ 55	OC Sanitation District
		Н	2.5%@55	
		U	2.5% @ 67 PEPRA	
#4	General	Н	2.5% @ 55	City of Rancho Santa Margarita (no longer an active employer)
#5	General	А	2.0% @ 57	
		В	1.67% @ 57.5	OC Transportation Authority
		U	2.5% @ 67 PEPRA	
#6	Safety	С	2.0% @ 50	
		D	2.0% @ 50	
		E	3.0% @ 50	County of Orange (Probation)
		F	3.0% @ 50	
		V	2.7% @ 57 PEPRA	
#7	Safety	С	2.0% @ 50	
		D	2.0% @ 50	
		E	3.0% @ 50	County of Orange (Law Enforcement)
		F	3.0% @ 50	
		R	3.0% @ 55	
		V	2.7% @ 57 PEPRA	
#8	Safety	С	2.0% @ 50	
		D	2.0% @ 50	
		E	3.0% @ 50	OC Fire Authority
		F	3.0% @ 50	
		R	3.0% @ 55	
		V	2.7% @ 57 PEPRA	

NOTE 1 : Plan Descriptions (continued)

#### Rate Groups and Benefit Plans (continued)

As of	Decem	per 31,	2024
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Rate Group	Plan Type	Benefit Plan	Benefit Formula per Year of Service	Employers
#9	General	A	2.0% @ 57	
		В	1.67%@57.5	Transportation Corridor Agonolog
		Ν	2.0% @ 55	Transportation Corridor Agencies
		U	2.5% @ 67 PEPRA	
#10	General	А	2.0% @ 57	
		В	1.67% @ 57.5	
		I.	2.7% @ 55	OC Fire Authority
		J	2.7% @ 55	OC Fire Authority
		Ν	2.0% @ 55	
		U	2.5% @ 67 PEPRA	
#11	General	A	2.0% @ 57	
		В	1.67% @ 57.5	00 Compton District
		Ν	2.0% @ 55	OC Cemetery District
		U	2.5% @ 67 PEPRA	
#12	General	В	1.67% @ 57.5	
		Н	2.5% @ 55	OC Law Library
		U	2.5% @ 67 PEPRA	

## Public Employees' Pension Reform Act (PEPRA)

During 2012, the Public Employees Pension Reform Act (PEPRA) was signed into law, resulting in the creation of three new benefit formulas for employees entering OCERS on or after January 1, 2013: 1.62% @ 65 PEPRA - General; 2.5% @ 67 PEPRA - General; and 2.7% @ 57 PEPRA - Safety. New plan provisions include a cap on pensionable compensation at 120% of the social security taxable wage base limit, three year final average salary, and new cost-sharing requirements by members to pay at least 50% of the total normal cost of the plan.

## **Deferred Member Benefits**

If a member terminates employment with a participating employer, the member is entitled to either withdraw the employee contributions made, together with accumulated interest, unless the member enters a reciprocal retirement system within 180 days and establishes reciprocity or if they can receive a deferred retirement allowance when eligible. There are different deferred retirement eligibility requirements for members with less than five years of service when terminating and leaving funds on deposit. It is possible for these members to earn a deferred retirement allowance upon attaining the age of 70, or upon accumulating reciprocal service. Members who terminate employment with a participating employer, and defer with five or more years of service may become eligible for a service retirement allowance when they would have accrued ten years of service and attain the age of 50 or greater (5 years of service and age 52 for PEPRA).

# NOTE 1 : Plan Descriptions (continued)

## **Disability Benefits**

Members found by the Board of Retirement to be permanently incapacitated from the performance of their job are eligible for disability retirement benefits. A disability retirement benefit may either be service-connected or non-service-connected. Members applying for non-service-connected disability must have five or more years of eligible service credit. There are no service credit requirements for members applying for service-connected disability benefits, but the disabling condition must be a result of a permanent incapacitating injury or disease arising out of or in the course of the member's employment.

## **Death Benefits**

Death benefits are payable to eligible beneficiaries of OCERS members. Eligible beneficiaries of retired members may receive a percentage of a deceased member's retirement allowance based upon the retirement option selected by the member at the time of retirement. The beneficiary of a retired member will also receive a \$1,000 burial benefit.

Survivor benefits for members who die prior to retirement are dependent upon a number of factors including whether or not the member was eligible for a service retirement or disability retirement at the time of death, and whether the death was job related. The eligible beneficiary of a member who is not eligible for service retirement or disability retirement is eligible to receive the member's accumulated contributions plus one month's salary for each year of creditable service, subject to a maximum of six month's salary. The eligible beneficiary of a member who is entitled to receive a service retirement or disability retirement, in lieu of the benefit described above, may elect to receive a monthly retirement allowance equal to 60% of the monthly allowance the member would have received for a non-service connected disability as of the day after the date of death, or a monthly allowance equal to the higher of 50% of the member's monthly compensation or service retirement allowance if the death was found to be service-connected.

Survivor benefits for deferred members (with no reciprocity) that are not eligible for service retirement consist of a refund to eligible beneficiaries of all contributions and interest accumulated by the member as of the date of death.

## **Cost-of-Living Adjustments**

Retired member monthly allowances will be adjusted annually in accordance with changes in the cost-of-living, as determined by the average annual change in the Consumer Price Index (CPI) for the Los Angeles-Long Beach-Anaheim area for the prior calendar year. The cost-of-living adjustment (COLA) is limited to a maximum increase or decrease of three percent per year as established by the Board of Retirement. The 2024 cost-of-living adjustment was 3.5%; this adjustment will increase benefit recipients allowances by 3% with the remaining 0.5% added to the recipients COLA bank. The COLA bank can be used in subsequent years when the change in CPI falls below 3%.

## **STAR COLA**

Retired members and eligible beneficiaries who have lost more than 20% of their original retirement benefit's purchasing power due to inflation are eligible to receive the STAR COLA (Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment). STAR COLA benefits are reviewed annually by the Board of Retirement and as of December 31, 2024, the Board has determined that presently only those members that retired on or before April 1, 1980 are eligible to receive the STAR COLA benefit.

## **Postemployment Health Care Plans**

OCERS serves as trustee for the County of Orange (County) multiple-employer cost-sharing defined benefit postemployment health care plan trust and Orange County Fire Authority (OCFA) single-employer postemployment health care plan trust established under Internal Revenue Code section 401(h), which are reported as other postemployment benefit trust funds in OCERS basic financial statements. Health care assets for the 401(h) trusts are commingled with pension trust assets for investment purposes and are used exclusively to pay health allowances to eligible retired members of the County of Orange and participating special districts including OCERS and the OCFA.

# NOTE 1 : Plan Descriptions (continued)

In July 2007, the County of Orange established under Internal Revenue Code both a 115 trust and a 401(h) trust as funding sources of retiree health care benefits, including grants, for the County of Orange Retiree Medical Plan (the "Plan"). The County maintains control and custody of all the 115 trust assets, which acts as a conduit for collecting contributions and passing them through to the 401(h) trust at their discretion, as well as distributing lump sum health care grant payments as part of a termination program that is being phased-out. OCERS maintains custody of the assets in the 401(h) trust and pays all primary benefits of the Plan as directed by the County. The County has evaluated the structure of its plan and related roles and responsibilities and has determined that the County is the plan administrator. Therefore, the County has taken financial reporting responsibility of the plan including financial statement disclosures and required supplementary information regarding the plan's funded status and contributions, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (GASB 74). A publicly available financial report can be obtained from the County of Orange at 12 Civic Center Plaza, Santa Ana, California 92702 or their website at http://ac.ocgov.com.

As trustee of OCFA's 401(h) Other Postemployment Benefits (OPEB) trust fund, the sole source of funding for OCFA's postemployment health care plan, OCFA has evaluated the structure of its plan and related roles and responsibilities and has determined that OCFA is the plan administrator. Therefore, OCFA has taken financial reporting responsibility of the Plan including financial statement disclosures and required supplementary information regarding the plan's funded status and contributions, in accordance with GASB 74. A publicly available financial report can be obtained from the Orange County Fire Authority at 1 Fire Authority, Irvine, California 92602 or their website at http://ocfa.org.

Assets are allocated on the Statement of Fiduciary Net Position between the pension plan and the two 401(h) health care trusts based upon pro-rata shares of the net position after balances and transactions specific to the respective trusts are assigned. Contributions and benefit payment information for the pension plan and individual health care trusts are readily identified; however, investment income must be allocated and is based upon the individual health care trusts' pro-rata share of total fund assets.

#### **Custodial Fund**

In addition to serving as Trustee for the two 401(h) health care trusts, OCERS also provides investment advisory services to the Orange County Transportation Authority (OCTA) health care plan established in accordance with Internal Revenue Code section 115 (115 Plan). Investments in the 115 Plan are not commingled with those of the pension plan and 401(h) plan trusts, but rather are invested in separately managed index funds. OCTA's 115 Plan assets held by OCERS in an investment capacity are reported as a Custodial Fund. Additional information regarding the OCTA 115 Plan is available by contacting OCTA at 550 S. Main Street, Orange, California 92868 or their website at http://www.octa.net.

## **NOTE 2 : Summary of Significant Accounting Policies**

#### **Reporting Entity**

OCERS is an independent public employees' retirement system with its own governing board. Due to the nature of the relationship between OCERS and the County of Orange (County), OCERS' Pension Plan and Other Postemployment Benefits Trust Funds and Custodial Fund are reflected as fiduciary funds within the County's basic financial statements.

#### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP). Employee and employer contributions are recognized in the period in which contributions are due pursuant to legal requirements, and benefits and refunds are recognized when currently due and payable in accordance with plan terms. Unearned contributions represent prepaid employer contributions that will be recognized as an addition to plan net position in future periods. Investment income is recognized as revenue when earned. The net appreciation/(depreciation) in the fair value of investments is recorded as an increase/(decrease) to investment income based upon investment valuations, which includes both realized and unrealized gains and losses on investments.

NOTE 2 : Summary of Significant Accounting Policies (continued)

#### **Investment Policy and Valuation**

State Street Bank and Trust (State Street) maintains custody of the majority of OCERS' investments held as of December 31, 2024. The acquisition of investments is authorized by state statute and OCERS' Investment Policy Statement (refer to Note 3: Investments for further information). Investments are reported at fair value on a trade-date basis. The allocation of investment assets is approved by OCERS' Board of Retirement, as outlined in the Investment Policy Statement, and System assets are invested solely for the benefit of plan participants and beneficiaries while attempting to minimize employer contributions and investment and administration costs. The Investment Policy Statement calls for an asset allocation plan that seeks to optimize long-term returns for the level of risk that the Board of Retirement considers appropriate. The current asset allocation adopted by the Board of Retirement as of December 31, 2024, is detailed in Note 3: Investments and Section 3: Investments. The Board of Retirement conducts a periodic review of the asset allocation plan to maintain an optimal allocation, and may also revise the asset allocation in response to significantly changing market conditions that may affect valuations and forward-looking expected returns of asset classes.

Plan investments consist of global public equity securities, income strategies (including fixed income and credit instruments), real assets, risk mitigation, unique strategies, and private equity. Investments are reported at fair value and the overall valuation process and information sources by major asset classification are as follows:

#### **Cash and Short-Term Investments**

Cash and short-term investments represent funds held in operating accounts with State Street, Wells Fargo Bank and deposits held in a pooled account with the County of Orange Treasurer. Short-term investments are expected to be utilized within 30-90 days and are reported at fair value. OCERS is a participant in the County Treasurer's Orange County Investment Pool (OCIP). The OCIP is an external investment pool, is not rated, and is not registered with the Securities and Exchange Commission. The County Treasury Oversight Committee conducts OCIP oversight. Cash on deposit in the OCIP is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. Deposits held in the OCIP are invested in the Orange County Money Market Fund and the Extended Fund. The Orange County Money Market Fund is rated AAAm by Standard & Poor's (S&P). The Extended Fund is not rated. For further information regarding the OCIP, refer to the County of Orange's most recently available Annual Comprehensive Financial Report.

#### **Global Public Equity**

The majority of OCERS' domestic, international and global securities, including those traded in emerging markets, consist of institutional funds that are valued based on the fair value of underlying investments using pricing models or other valuation methodologies that use pricing inputs that are either directly or indirectly observable on the valuation date for the securities or assets held in the fund. Other domestic, international and global securities are actively traded on major security exchanges, or over-the-counter. Fair value for exchange traded securities is determined as of the close of the trading date in the primary market or agreed upon exchange. The last known price is used for listed securities that did not trade on a particular date. Fair value is obtained from third-party pricing sources for securities traded over-the-counter.

#### **Income Strategies**

Income strategies includes core fixed income and credit strategies. Core fixed income is actively traded debt instruments such as those securities issued by the U.S. Treasury, Federal Agencies and corporate issuers are reported at fair value as of the close of the trading date. Fair values of irregularly traded debt securities are obtained from pricing vendors who employ modeling techniques in determining security values. Inputs typically employed by pricing vendors include cash flows, maturity and credit rating.

# NOTE 2 : Summary of Significant Accounting Policies (continued)

Credit is a global allocation that includes a number of diverse fixed-income related strategies. It represents an allocation that is diversified by region, by credit quality, and by sources of risk. The general shared characteristics of these strategies are a degree of illiquidity, and a focus on current yield as a principal source of expected return. Hedging of market and individual security risks and diversified risk-controlled tactical trading may be permitted.

Credit is a combination of liquid and illiquid credit strategies and the fair value depends on the nature of the investment. For credit funds structured as partnerships, the fair values are based on net asset value (NAV). Credit included in Level 2 of the fair value hierarchy may be estimated by the underlying managers in the absence of observable market data or the general partner may estimate the fair value in good faith using the best information available, which may incorporate the general partner's own assumptions. The liquid strategies comprised of multi- strategies are actively traded and are generally reported at fair value as of the close of the trading date. The illiquid strategies comprised of mortgages, direct lending and energy-based credit funds are valued initially at cost as an approximation of fair value with subsequent adjustments to fair value as determined by the general partner. The factors considered include readily available market quotes, earnings- multiple analysis using comparable companies or discounted cash flow analysis.

#### **Real Assets**

OCERS invests in real assets, which include agriculture, energy, infrastructure, and real estate. The fair value for real estate, energy, infrastructure and agriculture are determined based on independent appraisals and/or estimates made in good faith by the general partner or management.

Real estate assets are in commingled real estate funds structured as either limited partnerships or trust funds. Properties held in commingled funds are based on the investments NAV per share provided by the investment management firms/general partners, who perform regular internal appraisals and obtained at regular intervals independent third-party appraisals and are further supported by annual financial statements, which are audited by an independent third-party accountant. Primary determinants of fair value include market and property type specific information, which typically involve a degree of expert judgment.

Other real asset funds, agriculture, energy, and infrastructure, are held in limited partnerships. The investment's NAV per share are provided by the investment management firms/general partners, and are further supported by annual financial statements, which are audited by an independent third-party accountant. Primary determinants of fair value include market specific information, which involves a degree of expert judgment.

#### **Other Investments**

OCERS invests in a variety of alternative strategies which include private equity, unique strategies, and risk mitigation investments.

Private equity and unique strategies are alternative strategies. The fair value of these alternative investments depends upon the nature of the investment and the underlying business. Typically, alternative investments are less liquid and subject to redemption restrictions. Fair value is determined either quarterly or semi-annually with valuations conducted by general partners, management and valuation specialists. Valuation techniques vary by investment type and involve expert judgment or estimates made in good faith using the best information available, including the general partner's or management's own assumptions. Investments reported at NAV are based on audited financial statements.

Risk mitigation investments include generally liquid investments with shorter redemption periods. Risk mitigation funds included in Level 2 are short-term investment funds and NAV is determined daily; for risk mitigation funds structured as partnerships, the fair values are based on NAV. Risk mitigation investments are uncorrelated or negatively correlated to economic growth assets.

NOTE 2 : Summary of Significant Accounting Policies (continued)

### **Capital Assets**

Capital assets consist of furniture, equipment, intangible assets, including internally generated computer software, construction-in-progress, and building and improvements for the portion of the OCERS headquarters building used for plan administration. Capital assets are defined by OCERS as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year. Such assets are recorded at cost and reflected on the statement of fiduciary net position, net of accumulated depreciation/amortization. Depreciation/ amortization is charged to operations using the straight-line method on the estimated useful life of the related asset and is included in administrative expenses on the statement of changes in fiduciary net position. Generally, estimated useful lives range from a minimum of more than one year to approximately 40 years.

#### **Capital Assets**

As of December 31, 2024 (Dollars in Thousands)

Capital Assets Not Being Depreciated	
Land	\$ 604
Construction-In-Progress	 2,196
Total Capital Assets Not Being Depreciated	 2,800
Capital Assets Being Depreciated and Amortized	
Building and Improvements	4,752
Computer Software - Pension Administration System	21,854
Data Center	1,234
Furniture and Equipment	 891
Total Capital Assets Being Depreciated and Amortized	 28,731
Less: Accumulated Depreciation and Amortization	 (25,272)
Total Capital Assets Being Depreciated and Amortized (Net of Depreciation and Amortization)	 <u>3,459</u>
Total Capital Assets (Net of Depreciation and Amortization)	\$ 6,259

## **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of net position. Actual results could differ from those estimates.

#### **Comparative Totals**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with OCERS' financial statements for the year ended December 31, 2023, from which the summarized information was derived.

## Effect of New Governmental Accounting Standards Board (GASB) Pronouncement

GASB issued Statement No. 101, *Compensated Absences* (GASB 101), which is effective for the fiscal year ended December 31, 2024. This statement establishes a unified model for the recognition and measurement of all types of compensated absences, with the goal of enhancing consistency and comparability. Under GASB 101, a liability is recognized when leave is earned, rather than when it is paid or taken. This approach more accurately reflects the point at which a governmental entity incurs an obligation. The implementation of GASB 101 did not have a material impact on OCERS' financial statements.

## NOTES TO THE BASIC FINANCIAL STATEMENTS NOTE 3 : Investments

OCERS may invest, in accordance with state statutes, in any form or type of investment deemed prudent by the Board of Retirement. Pension and 401(h) health care plan assets are restricted for the exclusive purposes of providing benefits to plan participants and defraying reasonable expenses of administering the plans. The Board of Retirement may invest, or delegate the authority to invest, the assets of the funds through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction. Custodial fund assets, restricted pursuant to section 115 of the Internal Revenue Code, are separately invested in domestic equity, international equity and domestic bond index funds in accordance with the respective OCTA Third-Party Administrative and Investment Management Agreement.

The following table shows the Investment Allocation as of December 31, 2024:

#### **Investment Allocation**

As of December 31, 2024

Investment Category	Policy	Target Ranges	Actual
Global Public Equity	45%	38% - 52%	41%
Private Equity	15%	10% - 20%	16%
Income Strategies	17%	12% - 22%	16%
Real Assets	13%	8% - 18%	12%
Risk Mitigation	10%	6% - 14%	8%
Unique Strategies	0%	0% - 5%	1%
Cash*	0%	0% - 5%	6%
Total	<u>    100 %</u>		<u>100 %</u>

\* For financial reporting purposes, the Short-Term Investment Fund (STIF) is reported in the financial statements as a cash equivalent. OCERS investment policy includes the STIF in the Global Public Equity allocation.

During 2024, no changes were made to the investment allocation.

## **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a financial institution's failure, OCERS would not be able to recover its deposits. Deposits are exposed to custodial risk if they are not insured or not collateralized. As of December 31, 2024, OCERS' deposits with a financial institution are fully insured by Federal Deposit Insurance Corporation (FDIC) insurance up to \$250,000 with the remaining balance exposed to custodial credit risk as it is not insured; however, the financial institution does collateralize the deposit of monies in excess of the FDIC insurance amount with eligible securities held by the pledging financial institution, but not in OCERS' name, which approximates \$115.4 million. Deposits held by OCERS' custodial bank are not exposed to custodial credit risk as they are held in a qualified pool trust, separate from the custodial bank assets.

For an investment, custodial credit risk is the risk that, in the event of a counterparty failure, OCERS will not be able to recover the value of its investments or collateral securities that are in the possession of counterparties. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in OCERS' name or by other qualified third-party administrator trust accounts.

OCERS' investments and collateral received through securities lending are not exposed to custodial credit risk because all securities are held by OCERS' custodial bank in OCERS' name or by other qualified third-party administrator trust accounts. The risk is managed by the custodian bank by diversifying the number of counterparties, with periodic review of the credit quality of counterparties and by regularly posting/receiving margins. OCERS does not maintain any general policies regarding custodial credit risk.

# NOTES TO THE BASIC FINANCIAL STATEMENTS NOTE 3 : Investments (continued)

## **Credit Risk**

By definition, credit risk measures the risk that an issuer or counterparty will not fulfill its obligations. S&P Global defines investment grade as those fixed income securities with ratings between AAA and BBB. OCERS' investment policy permits, on an opportunistic basis, the investment in fixed income securities rated below investment grade. A rating of NR represents pooled funds and other securities that have not been rated by S&P Global and NA represents securities explicitly guaranteed by the U.S. Government that are not subject to the GASB Statement No. 40 disclosure requirements. The credit ratings for individual OCERS' fixed income portfolios are monitored regularly.

As of December 31, 2024, the S&P Global credit ratings of the OCERS' fixed income portfolio were as follows:

Rating	Pooled	U.S. Treasuries	Corporates	Mortgages	Asset- Backed	Municipals	Agencies	International	Swaps	Total
AAA	\$-	\$-	\$ -	\$ 10,910	\$ 40,629	\$ 4,565	\$-	\$-	\$ -	\$ 56,104
AA	-	-	8,480	502,895	7,291	16,971	-	4,988	-	540,625
A	-	-	57,000	3,380	5,839	12,574	-	26,024	-	104,817
BBB	-	-	207,579	238	6,305	851	-	87,199	-	302,172
BB	-	-	64,608	198	1,513	981	-	21,853	-	89,153
В	-	-	25,188	481	751	921	-	10,194	-	37,535
CCC	-	-	8,061	865	422	-	-	713	-	10,061
CC	-	-	1,468	-	-	-	-	-	-	1,468
С	-	-	509	-	-	-	-	95	-	604
D	-	-	-	147	1	-	-	-	-	148
NR	551,118	-	18,638	39,042	58,028	13,539	3,390	12,593	2,377	698,725
NA		383,902		32,333		<u> </u>				416,235
Total	<u>\$551,118</u>	<u>\$ 383,902</u>	<u>\$ 391,531</u>	<u>\$    590,489</u>	<u>\$ 120,779</u>	<u>\$ 50,402</u>	<u>\$ 3,390</u>	<u>\$ 163,659</u>	<u>\$2,377</u>	<u>\$2,257,647</u>

As of December 31, 2024 (Dollars in Thousands)

**Credit Ratings** 

This schedule reflects credit ratings for OCERS' fixed income portfolio, which excludes \$85.5 million of non-fixed income securities that are included in the Income Strategies investment category on the Statement of Fiduciary Net Position.

# NOTES TO THE BASIC FINANCIAL STATEMENTS NOTE 3: Investments (continued)

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed-income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

Interest rate risk is managed through OCERS' investment policies requiring that investment managers investing on behalf of OCERS have applicable investment guidelines and that the effective durations of fixed income portfolios remain within a defined range of the benchmark's effective duration. The primary benchmark for domestic fixed income is a blend of two indices, the Bloomberg US Universal (85%) and the Bloomberg US Treasury TIPS (15%). As of December 31, 2024, the durations of these indices are 6.17 years and 2.36 years, respectively for a blended duration of 5.60 years. All investment managers were in compliance within their defined range.

OCERS invests in a variety of fixed income instruments including asset-backed securities, corporate obligations and commercial mortgagebacked securities. The value, liquidity and income of these securities are sensitive to changes in overall economic conditions and the fair value of these securities may be affected by changes in interest rates, default rates and the value of the underlying securities.

The interest rate risk schedule presents the duration of fixed income securities by investment category as of December 31, 2024:

Category	Amount	Duration (in Years)	Percent
Pooled	\$ 551,118	3.76	24%
U.S. Treasuries	383,902	9.34	17%
Corporates	380,207	5.01	17%
Mortgages	580,869	5.76	26%
Asset-Backed	118,960	2.32	5%
Municipals	50,402	8.16	2%
Agencies	3,390	6.60	0%
International	161,891	4.23	7%
No Effective Duration:			
Corporates	11,324	N/A	2%
Mortgages	9,620	N/A	0%
Asset-Backed	1,819	N/A	0%
International	1,768	N/A	0%
Swaps	2,377	<u>          N/A</u>	0%
Total	<u>\$ 2,257,647</u>	5.45	<u>    100%</u>

#### **Interest Rate Risk Schedule**

As of December 31, 2024 (Dollars in Thousands)

This schedule reflects credit ratings for OCERS' fixed income portfolio, which excludes \$85.5 million of non-fixed income securities that are included in the Income Strategies investment category on the Statement of Fiduciary Net Position.

# NOTES TO THE BASIC FINANCIAL STATEMENTS NOTE 3 : Investments (continued)

## **Foreign Currency Risk**

The value of deposits or investments denominated in foreign currency may be adversely affected by changes in currency exchange rates. OCERS' investment policy permits investment in international securities that includes investments in international equity securities, global equity securities, emerging markets equity securities and debt, public real estate securities, and real return. Investment managers monitor currency exposures daily.

The following schedule represents OCERS' net exposure to foreign currency risk in U.S. dollars as of December 31, 2024:

Currency in	• •		_		Forward		
U.S. Dollar Australian Dollar	<b>Cash</b> \$ 107	<b>Equity</b> \$ 26,671	Fixed Income \$-	Options \$-	Contracts \$ 668	Swaps \$-	<b>Total</b> \$ 27,446
Brazilian Real	\$ 107 115	ş 20,071 323	<del>ہ</del> - 8,493	φ -	<del>به ۵۵۵</del> 707	<del>ب</del> (417)	ş 27,440 9,221
Canadian Dollar	1,862	26,492	,	-		(417)	
	,	,	2,142	-	(8)		30,313
Danish Krone	24	25,644	-	-		- (100)	25,671
Euro Currency	19,468	537,987	5,821	(5)	993	(100)	564,164
Hong Kong Dollar	60	15,987	-	-	1	(117)	15,931
Indonesian Rupiah	-	1,668	-	-	-	-	1,668
Japanese Yen	20	170,970	-	-	(1,257)	-	169,733
Mexican Peso	-	355	168	-	4	-	527
New Israeli Shekel	-	-	-	-	(10)	-	(10)
New Taiwan Dollar	-	475	-	-	-	-	475
New Zealand Dollar	-	1,442	-	-	(29)	-	1,413
Norwegian Krone	-	4,791	-	-	(813)	-	3,978
Pound Sterling	234	118,201	1,257	(3)	(352)	(18)	119,319
Russian Ruble	-	3,344	-	-	-	-	3,344
Singapore Dollar	39	7,104	-	-	(56)	-	7,087
SOL	-	-	364	-	3	-	367
South African Rand	5	1,305	-	-	-	-	1,310
South Korean Won	-	9,328	-	-	-	-	9,328
Swedish Krona	124	21,358	-	-	77	(156)	21,403
Swiss Franc	56	47,478	-	-	603	(65)	48,072
Turkish Lira	-	-	-	-	105	-	105
Yuan Renminbi		354	<u> </u>	<u> </u>	<u> </u>	<u> </u>	354
Amount Exposed to Foreign Currency Risk	\$ 22 11/	\$ 1,021,277	\$ 18,245	\$ (8)	\$ 639	\$ (1,048 <u>)</u>	\$ 1,061,219
Guilency Risk	<u>\$ 22,114</u>	φ 1,021,277	φ 10,243	φ (0)	φ 035	φ (1,040)	<u>\$ 1,001,219</u>

As of December 31, 2024 (Dollars in Thousands)

**Foreign Currency Risk Schedule** 

The foreign currency amounts above are included within the cash and cash equivalents, global public equity, and income strategies categories on the Statement of Fiduciary Net Position as of December 31, 2024.

NOTE 3: Investments (continued)

#### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of OCERS' investment in a single issuer. By policy, OCERS did not hold investments in any one issuer that represented five percent (5%) or more of plan net position and net investments. Investments issued or explicitly guaranteed by the U.S. Government and pooled investments are excluded from this policy requirement.

#### **Concentration of Investments**

As of December 31, 2024, OCERS did not hold investments in any one organization that represented five percent (5%) or more of the plan's fiduciary net position. Investments issued or explicitly guaranteed by the U.S. Government and pooled investments are excluded from this requirement.

#### **Derivative Instruments**

As of December 31, 2024, all derivative instruments held by OCERS are considered investments and not hedges for accounting purposes. Any reference to the term hedging in these financial statements references an economic activity and not an accounting method. All gains and losses associated with these activities are recognized as incurred in the Statement of Changes in Fiduciary Net Position.

The table that follows presents the related net appreciation/(depreciation) in fair value, the fair value amounts and the notional amounts of derivative instruments outstanding as of December 31, 2024:

# NOTES TO THE BASIC FINANCIAL STATEMENTS NOTE 3 : Investments (continued)

#### **Derivative Instruments**

As of December 31, 2024

(Amounts in Thousands)

	Changes in Fair Value Net Appreciation/ (Depreciation) <sup>4</sup>	Fair Value at December 31, 2024		
Derivative Instruments	Amount <sup>1</sup>	Classification	Amount <sup>2</sup>	Notional <sup>3</sup>
Commodity Futures Long	\$ 120	Cash	\$-	\$ 1,050
Commodity Futures Short	(58)	Cash	-	-
Credit Default Swaps Written	120	Income Strategies	649	25,388
Fixed Income Futures Long	(11,418)	Cash / Income Strategies	-	212,784
Fixed Income Futures Short	1,363	Income Strategies	-	(25,908)
Fixed Income Options Bought	(143)	Income Strategies	136	113,602
Fixed Income Options Written	509	Income Strategies	(127)	(131,337)
Foreign Currency Futures Long	(149)	Cash	-	2,400
Futures Options Written	30	Income Strategies	(5)	(8)
FX Forwards	(1,788)	Foreign Currency Contracts Receivables and Payables	639	337,757
Index Futures Long	(38,206)	Cash/Global Public Equity	-	557
Index Futures Short	582	Global Public Equity	-	(8)
Pay Fixed Interest Rate Swaps	2,207	Income Strategies	2,300	62,483
Receive Fixed Interest Rate Swaps	(1,389)	Income Strategies	(572)	30,773
Rights	(2)	Global Public Equity	-	-
Total Return Swaps Bond	(1,649)	Global Public Equity	22	3,593
Total Return Swaps Equity	1,360	Global Public Equity	(452)	(29,756)
Grand Totals	<u>\$ (48,511)</u>		<u>\$2,590</u>	

<sup>1</sup> Negative values (in brackets) refer to losses

<sup>2</sup> Negative values refer to liabilities and are reported net of investments

<sup>3</sup> Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions

<sup>4</sup> Excludes futures margin payments

45

#### Valuation of Derivative Instruments

Non-exchange traded instruments, such as swaps, are valued using similar methods as those described for debt securities.

Futures contracts are traded on exchanges and typically derive their value from underlying indices and are marked to market daily. All gains and losses associated with changes in the value of futures contracts also settle on a daily basis and result in the contracts themselves having no fair value at the end of any trading day, including December 31, 2024. Future variation margin accounts also settle daily and are recognized in the financial statements under net appreciation/(depreciation) in the fair value of the investments as incurred.

In general, option values are dependent upon a number of different factors, including the current market price of the underlying security, the strike price of the option, costs associated with holding a position in the underlying security including interest and dividends, the length of time until the option expires and an estimate of the future price volatility of the underlying security relative to the time period of the option.

Foreign currency forward contracts are agreements to buy or sell a currency at a specified exchange rate on a specified date. The fair value of a foreign currency forward is determined by the difference between the specified exchange rate and the closing exchange rate at December 31, 2024.

#### **Custodial Credit Risk – Derivative Instruments**

As of December 31, 2024, all investments in derivative instruments are held in OCERS' name and are not exposed to custodial credit risk as described in the previous discussion of custodial credit risk.

NOTE 3 : Investments (continued)

## **Counterparty Credit Risk – Derivative Instruments**

A summary of counterparty credit ratings relating to non-exchange traded derivatives in asset positions as of December 31, 2024 is as follows:

#### Counterparty Credit Risk Schedule for Derivative Instruments As of December 31, 2024

As of December 31, 2024 (Dollars in Thousands)

Counterparty Name	S&P Rating	Foreign Currency Forward Contracts	Swaps	Total Fair Value
Bank of America, CME	A-	\$ -	\$ 1,272	\$ 1,272
Bank of America, ICE	A-	-	603	603
Bank of America Merrill Lynch Securities Inc.	A-	-	1,425	1,425
Bank of America, N.A.	A+	2	-	2
Barclay's Bank PLC Wholesale	A+	78	-	78
BNP Paribas SA	A+	2	-	2
Citibank N.A.	A+	1,550	3	1,553
Goldman Sachs Bank USA	BBB+	797	-	797
HSBC Bank PLC	A-	77	-	77
JP Morgan Chase Bank, N.A.	AA-	1,588	-	1,588
Morgan Stanley Co Incorporated	A-	-	22	22
Standard Chartered Bank	A+	33		33
Total Non-Exchange Traded Derivatives in Asset Position		<u>\$ 4,127</u>	<u>\$ 3,325</u>	<u>\$ 7,452</u>

47

NOTE 3: Investments (continued)

#### **Interest Rate Risk – Derivatives**

At December 31, 2024, OCERS is exposed to interest rate risk on its investments in various swap arrangements based on daily interest rates for BRCDI (Brazilian Certificate of Deposit Interbank), CAD (Canadian Dollar Rate), SONIA (Sterling Overnight Index Average), SOFR (Secured Overnight Financing Rate) and European reference rates. The following table illustrates the maturity periods of these investments.

#### Interest Rate Risk - Schedules for Derivative Instruments

As of December 31, 2024 (Dollars in Thousands)

					Inves	stment Mat	urities (i	in years)		
Investment Type	Fai	r Value	Less	Than 1		1-5	6	-10	More	than 10
Credit Default Swaps Written	\$	649	\$	1	\$	694	\$	-	\$	(46)
Fixed Income Options Bought		136		136		-		-		-
Fixed Income Options Written		(127)		(127)						
Pay Fixed Interest Rate Swaps		2,300		-		(56)		484		1,872
Receive Fixed Interest Rate Swaps		(572)		-		(540)		(120)		88
Total Return Swaps Bond		22		22		-		-		-
Total Return Swaps Equity		(452)		(452)		-		-		-
Total	<u>\$</u>	1,956	\$	(420)	\$	98	<u>\$</u>	364	\$	<u>1,914</u>

#### Derivative Instruments Highly Sensitive to Interest Rate Changes As of December 31, 2024

	(Dollars in Th	ousands)		
Investment Type	Receive Rate	Payable Rate	Fair Value	Notional
Pay Fixed Interest Swaps	Variable 3-month SOFR	Fixed 2.00%-2.06%	\$ 265	\$ 720
Pay Fixed Interest Swaps	Variable 12-month SOFR	Fixed 1.75%-4.25%	2,258	51,680
Pay Fixed Interest Swaps	Variable 6-month CAD	Fixed 3.50%-3.75%	(175)	5,423
Pay Fixed Interest Swaps	Variable 6-month EUR	Fixed 3.50%-3.75%	(48)	2,485
Pay Fixed Interest Swaps	Variable 12-month EUR	Fixed 3.50%-3.75%		2,175
Total Pay Fixed Interest Rate Swaps			<u>\$ 2,300</u>	
Received Fixed Interest Rate Swaps	Fixed 11.49%-11.56%	Variable 0-month BRCDI	(417)	7,171
Received Fixed Interest Rate Swaps	Fixed 0.65%-2.5%	Variable 6-month EURIB	(17)	10,205
Received Fixed Interest Rate Swaps	Fixed 3.4%-4.15%	Variable 12-month SOFR	(120)	6,760
Received Fixed Interest Rate Swaps	Fixed 4.00%	Variable 12-month SONIA	(18)	6,638
Total Receive Fixed Interest Rate Swa	ps		<u>\$ (572)</u>	
Total Interest Rate Swaps			<u>\$ 1,728</u>	

### **Foreign Currency Risk – Derivatives**

At December 31, 2024, OCERS is exposed to foreign currency risk on investments in swaps and forward currency contracts denominated in foreign currencies that may be adversely affected by changes in the currency exchange rates.

#### Foreign Currency Risk Schedule for Derivative Instruments

As of December 31, 2024 (Dollars in Thousands)

		Currency Forward Contracts			
Currency Name	Options	Net Receivables	Net Payables	Swaps	Total Exposure
Australian Dollar	\$-	\$ 775	\$ (107)	\$-	\$ 668
Brazilian Real		801	(94)	(417)	290
Canadian Dollar	-	12	(20)	(175)	(183)
Danish Krone	-	25	(22)	-	3
Euro Currency	(5)	1,118	(125)	(100)	888
Hong Kong Dollar	-	1	-	(117)	(116)
Japanese Yen	-	286	(1,543)	-	(1,257)
Mexican Peso	-	4	-	-	4
New Israeli Shekel	-	6	(16)	-	(10)
New Zealand Dollar	-	-	(29)	-	(29)
Norwegian Krone	-	184	(997)	-	(813)
Pound Sterling	(3)	95	(447)	(18)	(373)
Singapore Dollar		2	(58)	-	(56)
SOL		3	-	-	3
Swedish Krona	-	81	(4)	(156)	(79)
Swiss Franc	-	627	(24)	(65)	538
Turkish Lira	<u>-</u>	107	(2)	<u> </u>	105
Total Foreign Currency	<u>\$ (8)</u>	<u>\$ 4,127</u>	<u>\$ (3,488)</u>	<u>\$ (1,048)</u>	<u>\$ (417)</u>
U.S. Dollar	12	<u> </u>	<u> </u>	2,995	3,007
Total	<u>\$4</u>	<u>\$ 4,127</u>	<u>\$ (3,488)</u>	<u>\$ 1,947</u>	<u>\$       2,590    </u>

## **Rate of Return**

For the year ended December 31, 2024, the annual money-weighted rate of return on the assets of the plan, net of investment expense, was 9.98%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the timing of cash flows and the changing amounts actually invested.

### **Securities Lending**

OCERS is authorized by investment policy and state law to lend its investment securities including global public equities, and income strategies to broker/dealers in exchange for collateral in the form of either cash or securities. Lent domestic and international securities are collateralized with an initial fair value of not less than 102% or 105% depending on the nature of the loaned securities and the collateral received, of fair value of the loaned securities. The lending agent receives cash and non-cash collateral for the securities on loan. There are no restrictions on the value of securities that can be lent at one time. State Street Bank serves, in accordance with a Securities Lending Authorization Agreement, as OCERS' agent to loan domestic and international securities. State Street Bank does not have the ability to pledge or sell collateral securities delivered absent a borrower default.

Cash collateral received on loaned securities is invested together with the cash collateral of other qualified tax-exempt investors in a collective investment fund is not rated and is comprised of one liquidity investment pool. As of December 31, 2024, the liquidity pool had an average duration of 99 days and a weighted average maturity of 9 days. Because loans are terminable at will, the duration of the loans did not generally match the duration of the investments made with the cash collateral. The Securities Lending Authorization Agreement requires State Street to indemnify OCERS if the broker/dealer fails to return any borrowed securities. During 2024, there were no failures to return loaned securities or to pay distributions by the borrowers. Furthermore, there were no losses due to borrower defaults. The fair value of securities on loan and the total cash and non-cash collateral held as of December 31, 2024 was 167.9 million and \$172.0 million, respectively. The following table shows fair values of securities on loan and cash collateral received by asset class:

#### Securities on Loan and Collateral Received

Security Lent for Cash Collateral		lue of OCERS' urities Lent		h Collateral Received	Collate	ral Investment Value
Global Public Equity	\$	68,204	\$	70,111	\$	70,111
Income Strategies		99,738		101,930		101,930
Total	<u>\$</u>	167,942	<u>\$</u>	172,041	\$	172,041

As of December 31, 2024 (Dollars in Thousands)

#### **Investments – Fair Value Measurements**

OCERS categorizes its fair value measurements of its investments based on the three level fair value hierarchy established by GAAP. The fair value hierarchy is based on the valuation inputs used to measure fair value of the asset or liability and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Unobservable inputs are developed using the best information available about the assumptions that market participants would use when pricing an investment. The three levels of the fair value hierarchy are:

- Level 1 Unadjusted quoted prices for identical instruments in active markets.
- Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3 Valuations are derived from valuation techniques in which significant inputs are unobservable. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The following table represents the fair value measurements as of December 31, 2024:

## Investments and Derivative Instruments Measured at Fair Value

As of December 31, 2024 (Dollars in Thousands)

	12/31/2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Income Strategies:				
U.S. Fixed Income:				
Pooled	\$ 551,118	\$-	\$ 551,118	\$-
U.S. Treasuries	383,902	-	383,902	-
Corporates	391,531	-	391,531	-
Mortgages	590,489	-	590,489	-
Asset-backed	120,779	-	120,779	-
Municipals	50,402	-	50,402	-
Agencies	3,390	-	3,390	-
International	163,659		163,659	
Total Income Strategies	2,255,270	<u> </u>	2,255,270	<u> </u>
Global Public Equity Investments:				
Domestic Equity	7,456,066	637,460	6,818,606	-
International Equity	1,084,638	733,307	351,331	-
Emerging Markets Equity	420,245	<u> </u>	420,245	
Total Global Public Equity	8,960,949	1,370,767	7,590,182	<u> </u>
Real Assets:				
Agriculture	11,204	-	-	11,204
Real Estate	10,949	<u> </u>	<u> </u>	10,949
Total Real Assets	22,153	<u> </u>		22,153
Other Investments:				
Risk Mitigation	631,064		631,064	
Total Other Investments	631,064	<u> </u>	631,064	
Total Investments at Fair Value Level	<u>\$ 11,869,436</u>	<u>\$ 1,370,767</u>	<u>\$ 10,476,516</u>	<u>\$ 22,153</u>

## NOTE 3: Investments (continued)

#### **Investments and Derivative Instruments Measured at Fair Value**

As of December 31, 2024

(Dollars in Thousands) (Continued)

	12/31/2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments Measured at the Net Asset Value (NAV)				
Global Public Equity:				
International Equity	\$ 528,137			
Emerging Markets Equity	745,431			
Total Global Public Equity	1,273,568			
Real Assets:				
Energy	605,087			
Infrastructure	787,814			
Real Estate	1,638,497			
Total Real Assets	3,031,398			
Other Investments:				
Income Strategies	1,484,270			
Private Equity	4,077,669			
Risk Mitigation	1,244,469			
Unique Strategies	203,787			
Total Other Investments	7,010,195			
Total Investments Measured at the NAV	<u>\$ 11,315,161</u>			
Investments Derivative Instruments				
Swaps:				
Interest Rate Swaps	\$ 1,728	\$ -	\$ 1,728	\$-
Credit Default Swaps	649	-	649	-
Total Return Swaps	(430)	-	(430)	-
Options	4		4	
Total Investment Derivative Instruments	<u> </u>	<u>\$</u>	<u>\$ 1,951</u>	<u>\$</u>
Total Investments Measured at Fair Value	<u>\$ 23,186,548</u>			

Income Strategies in the above schedule excludes \$85.5 of non-fixed income securities that are included in the Income Strategies investment category on the Statement of Fiduciary Net Position.

# NOTES TO THE BASIC FINANCIAL STATEMENTS NOTE 3 : Investments (continued)

Income Strategies include actively traded debt instruments such as those securities issued by the United States government, federal agencies, municipal obligations, foreign governments, and both U.S. and foreign corporate issuers. These fixed income securities are reported at fair value as of the close of the trading date. Fair values for securities not traded on a regular basis are obtained from pricing vendors who employ modeling techniques, such as matrix pricing or discounted cash flow method, in determining security values. These inputs are observable, which supports the Level 2 fair value hierarchy.

**Global public equity** include U.S. and international equity securities, and emerging markets equity securities. Global public equity securities classified in Level 1 of the fair value hierarchy are primarily common and preferred stock or real estate investment trusts. Fair value for these exchange traded securities is determined as of the close of the trading date in the primary market or agreed upon exchange. The last known price is used for listed securities that did not trade on a particular date. Fair value is obtained from third-party pricing sources for securities traded over-the-counter. Global public equity securities classified in Level 2 of the fair value hierarchy consist of institutional funds that are valued based on the fair value of underlying investments using pricing models or other valuation methodologies that use pricing inputs that are either directly or indirectly observable on the valuation date for the securities or assets held in the fund.

**Real assets** investments at fair value include a variety of real return investments in agriculture and real estate, which are held directly. Real estate assets held directly are appraised by independent third-party appraisers in accordance with the Uniform Standards of Professional Appraisal Practice. Independent appraisals use professional judgment, which is unobservable input, to determine the fair value of the asset; therefore these real estate investments are classified as Level 3. Agriculture investments included in Level 3 are based on independent appraisals and/or the good faith estimates of management.

Other investments include one risk mitigation fund. These investments are classified in Level 2 of the fair value hierarchy and include primarily institutional mutual funds that are valued based on the fair value of underlying investments using pricing models or other valuation methodologies that use pricing inputs that are either directly or indirectly observable on the valuation date for the securities or assets held in the fund.

**Derivative instruments** classified as Level 2 are valued using a market approach with observable inputs from major indices as well as benchmark interest rates and foreign exchange rates.

NOTE 3: Investments (continued)

## Investments Measured at NAV, Unfunded Commitments and Redemption Terms

As of December 31, 2024

(Dollars in Thousands)

The System uses the Net Asset Value (NAV) to determine the fair value of the underlying investments, when an investment does not have a readily determinable fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with GAAP requirements.

	Fair Value Measured at NAV	Unfunded Commitments	Redemption Frequency (If Currently Eligible) <sup>1</sup>	Redemption Notice Period
Investments Measured at the Net Asset Value (NAV)				
Global Public Equity:				
International Equity	\$ 528,137	\$-	W	7 days
Emerging Markets Equity	745,431	<u> </u>	М	30 days
Total Global Public Equity	1,273,568	<u> </u>		
Real Assets:				
Agriculture	-	22,451	Q	60 days
Energy	605,087	515,954	N/A	N/A
Infrastructure	787,814	406,737	N/A	N/A
Real Estate	1,638,497	632,782	Q, N/A	7-90 days, N/A
Total Real Assets	3,031,398	1,577,924		
Other Investments:				
Income Strategies	1,484,270	857,670	M, Q, N/A	5-90 days, N/A
Private Equity	4,077,669	2,052,025	N/A	N/A
Risk Mitigation	1,244,469	-	D, W, M, Q	1-75 days
Unique Strategies	203,787	170,476	Q, N/A	60 days, N/A
Total Other Investments	7,010,195	3,080,171		
Total Investments Measured at the NAV	<u>\$ 11,315,161</u>	<u>\$ 4,658,095</u>		

<sup>1</sup> D=Daily, W=Weekly, M=Monthly, Q=Quarterly, N/A = No redemption or frequency period

# NOTES TO THE BASIC FINANCIAL STATEMENTS NOTE 3 : Investments (continued)

The investment types listed in the above table were measured at the Net Asset Value (NAV) as explained below:

**Global public equity** includes five institutional funds. Two funds focus on international securities and three funds focus on emerging markets equities. The fair value of each fund has been determined using NAV per share or unit of the investments.

**Real assets: Agriculture** includes one fund that invests in a diversified portfolio of vegetable and permanent crop farmland in select major agricultural states. The fund is an open-end, infinite life, private REIT (real estate investment trust) subject to the redemption terms in the above schedule.

**Real assets: Energy** consists of eighteen limited partnerships that invest primarily in oil and gas related investments. There are no redemption terms for any of these partnerships. These investments are considered illiquid. During the life of the partnerships, distributions are received as underlying partnership investments are realized. The fair values of this investment type have been determined using estimates provided by the underlying partnerships and are at NAV.

**Real assets: Infrastructure** consists of thirteen limited partnerships that invest primarily in digital, transportation and logistics, energy transition/renewables, power/utilities, and midstream infrastructure. There are no redemption terms for any of these partnerships. These investments are considered illiquid. During the life of the partnerships, distributions are received as underlying partnership investments are realized. The fair values of this investment type have been determined using estimates provided by the underlying partnerships and are at NAV.

**Real assets: Real estate investments** include twenty-four funds consisting of primarily trust funds and limited partnerships. The purpose of these funds is to acquire, own, invest in real estate and real estate related assets with the intention of achieving current income, capital appreciation or both. These investments are valued through independent appraisals and other unobservable methods. The majority of these funds are closed-end funds with structured investment periods, and considered illiquid investments. All other funds have no redemption restrictions other than the restrictions noted above.

**Income Strategies** includes investments in twenty-five limited partnership funds and one equity fund. Nineteen of these funds are considered private credit investments, which are closed-end funds and are considered illiquid funds. These investments represent approximately 64% of the value. The remaining six funds allow for redemption based on the terms noted above. The fair value of these investments has been determined using NAV per share of the investments.

**Private equity** includes primarily investments in limited partnership funds, managed by various different investment managers. Generally, the partnership strategies are to maximize the return by participating in private equity and equity-related investments through a diversified portfolio of venture capital, growth equity, buyouts, special situation partnerships and other limited liability vehicles. Investments in these partnerships are typically for 10-12 years and are considered illiquid. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. The fair values of this investment type have been determined using NAV per share of the System's ownership interest in partners' capital.

**Risk mitigation** includes eight limited partnership funds, which allow redemption with proper notification. The funds assist in diversifying the portfolio and protecting in an economic downturn of growth assets. The strategies are uncorrelated or negatively correlated to economic growth assets. The fair value of these investments has been determined using NAV per share.

Unique strategies includes four limited partnership funds which have no redemption terms and are considered illiquid investments. This asset class provides additional diversification which can be used to help mitigate risk and provide value to the OCERS portfolio. These investments are valued at NAV.

# NOTES TO THE BASIC FINANCIAL STATEMENTS NOTE 4 : Funding Policy - Pension Plan

Employer and employee/member pension plan contribution requirements are determined as a percentage of employer payrolls. In determining contributions, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. The projected total pensionable compensation for all OCERS' employers for the year ended December 31, 2024 was \$2.1 billion. Employer contribution rates are determined using the entry age actuarial cost method based upon a level percentage of payroll. The employer contributions provide for both normal cost and an amount to amortize any unfunded or overfunded actuarial accrued liabilities. By definition, the normal cost is the annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement benefit if all underlying assumptions are met. The actuarial valuation report as of December 31, 2021 established the contribution rates for the first six months of calendar year 2024 (second half of fiscal year 2023-2024). and the actuarial valuation report as of December 31, 2022 established the contribution rates for the last six months of calendar year 2024 (first half of fiscal year 2024-2025). For the year ended December 31, 2024, employer contribution rates ranged from 11.63% of payroll to 60.35% depending upon the benefit plan type. Employer pension contributions were \$846.4 million for the year ended December 31, 2024 of which approximately \$660 million and \$84.1 million, net of prepayment discounts, were made by the County of Orange and the Orange County Fire Authority, respectively. Participating employers are required by Government Code sections 31453.5 and 31454 to contribute a percentage of covered salary to the Plan. The contribution requirements of participating active members and employers are established and may be amended by the OCERS' Board of Retirement. Participating employers may pay a portion of the participating active employees' contributions through negotiations and bargaining agreements. Employer contributions paid for by the employee through negotiated reverse pick-up arrangements are treated and reported as employee contributions. Employee contributions elected to be paid for by the employer under Section 31581.1 are treated and reported as employer contributions as these payments do not become part of the accumulated contributions of the employee and are immaterial. Employee contributions elected to be paid for by the employer under Section 31581.2 are treated and reported as employee contributions as these payments are credited to the employee account and become a part of their accumulated contributions.

Employee contributions are established by the OCERS' Board of Retirement and guided by state statute (Government Code sections 31621, 31621.5, 31621.8, 31639.25 and 31639.5) and vary based upon employee age at the time of entering OCERS membership. OCERS received \$302.5 million in employee pension contributions for the year ended December 31, 2024. Average employee contribution rates for the year ended December 31, 2024 ranged between 9.75% and 17.63%.

## NOTE 5 : Plan Reserves

The OCERS Board of Retirement adopted the Reserves and Interest-Crediting Policy to identify all the reserves maintained by OCERS and how funds are distributed to and from the relevant reserve. Employer and employee contributions are deposited into various legally-required reserve accounts established on a book value basis. Set forth below are the descriptions of OCERS' various reserve accounts:

## **Pension Reserve**

Pension reserve represents funding set aside for retirement payments derived from employer contributions. Additions include transfers from the employer contribution reserve and interest credited. Deductions include benefit payments made to retired members.

#### **Employee Contribution Reserve**

Employee contribution reserve represents the balance of member contributions. Additions include member contributions and interest credited. Deductions include member refunds and transfers to the annuity reserve fund retirement benefits.

#### **Employer Contribution Reserve**

Employer contribution reserve represents the balance of employer contributions for active member future retirement benefits. Additions include employer contributions and interest credited. Deductions include transfers to the pension reserves in order to fund retirement benefits, disability benefits and death benefits.

## **Annuity Reserve**

56

Annuity reserve represents funding set aside for retirement payments derived from contributions made by members. Additions include transfers from the employee contribution reserve and interest credited. Deductions include benefit payments made to retired members.

NOTE 5: Plan Reserves (continued)

#### **Contra Account**

A positive balance in this account represents excess earnings. A negative balance in this account represents the amount of interest credited to the reserve accounts that has not been paid for out of current or excess earnings. Additions include net increases to the fiduciary net position, which are decreased by interest credited to the reserves account.

## **County Investment Account (POB Proceeds) Reserve**

County investment account (POB Proceeds) reserve represents the remaining proceeds from the County of Orange's 1994 Pension Obligation Bond issuance. The remaining proceeds are utilized, in accordance with a long standing agreement between OCERS and the County of Orange, to offset a portion of the annual actuarially-determined contribution rates for the County of Orange. In 2024, \$5.0 million of the remaining proceeds were utilized to offset the actuarially determined contributions for the County of Orange.

### **OCSD UAAL Deferred Reserve**

The Orange County Sanitation District (OCSD) Unfunded Actuarial Accrued Liability (UAAL) Reserve represents the payment made by OCSD for its deferred UAAL. OCERS shall make annual transfers from the OCSD reserve account into the OCERS' employer contribution reserve account in the amount necessary to satisfy the actual UAAL attributed to OCSD. The intent of this transfer is to provide that the OCSD's future annual employer contribution obligation to OCERS shall consist of either the normal cost portion only, or the normal cost and amortizing installments of only such amount of future actual UAAL that exceeds to the amount of funds remaining in the OCSD reserve account.

#### **Actuarial Deferred Return/(Loss)**

The actuarial deferred return/(loss) represents the balance of deferred earnings created by a five-year smoothing of actual gains and losses compared to the assumed investment rate of return.

#### **Health Care Plan Reserves**

Health care plan reserves represent assets held to pay medical benefits for eligible retirees of the 401(h) health care plans. Additions include employer contributions and investment earnings. Deductions include medical payments and administrative expenses.

#### **Custodial Fund Reserve**

Custodial fund reserve represents custodial assets held by OCERS in an investment capacity for the OCTA health care plan. Additions include other postemployment benefit contributions and investment earnings. Deductions include other postemployment benefits and administrative expenses.

As of December 31, 2024 (Dollars in Thousands)	
Valuation Reserves	
Pension Reserve	\$ 13,914,265
Employee Contribution Reserve	4,112,391
Employer Contribution Reserve	3,466,239
Annuity Reserve	3,134,538
Contra Account	(930,755)
Non-Valuation Reserves	
County Investment Account (POB Proceeds) Reserve	155,100
OCSD UAAL Deferred Reserve	 17,594
Total Pension Fund Reserves (smoothed market actuarial value)	23,869,372
Actuarial Deferred Return/(Loss)	 92,619
Net Position Restricted for Pension	23,961,991
Net Position Restricted for Other Postemployment Benefits	
Health Care Plan Reserves	588,615
Net Position Restricted for Employer	
Custodial Fund Reserve	 37,920
Net Position Restricted for Pension, Other Postemployment Benefits and Employer	\$ 24,588,526

# NOTE 6 : Administrative Expenses - Pension

As permitted by Government Code (Code) Section 31580.2, the Board of Retirement adopts an annual budget, financed from the System's assets, covering the entire expenses for the administration of OCERS. The Code provides that administrative expenses incurred in any year are to be charged against the earnings of the pension trust fund and are not to exceed twenty-one hundredths of one percent (0.21%) of OCERS' actuarial accrued liabilities, excluding investment related costs and expenditures for computer software, hardware and related technology consulting services. Administrative expenses incurred in calendar year 2024 were within the limits established by the Code. The following schedule represents the excess of the maximum allowed over actual administrative expenses for the year ended December 31, 2024.

### Administrative Expense Compared to Actuarial Accrued Liability

For the Year Ended December 31, 2024 (Dollars in Thousands)

Actuarial Accrued Liability (AAL) as of December 31, 2024	\$	27,920,705
Maximum Allowed for Administrative Expense (AAL * 0.21%)		58,633
Actual Administrative Expense <sup>1</sup>		29,263
Excess of Allowed Over Actual Expense	<u>\$</u>	29,370
Actual Administrative Expense for the year ended December 31, 2024 as a Percentage of Actuarial Accrued Liability as of December 31, 2024		0.10%
<sup>1</sup> Administrative Expense Reconciliation		
Administrative Expense per Statement of Changes in Fiduciary Net Position	\$	31,181
Less: Administrative Expense Not Considered per CERL Section 31596.1		(1,918)
Administrative Expense Allowable Under CERL Section 31580.2	<u>\$</u>	29,263

## **NOTE 7: Contingencies**

At December 31, 2024, OCERS was involved in various litigation matters. In management's opinion, and after consultation with legal counsel, the outcome of these matters is not expected to have a material adverse effect on OCERS' financial position.

# NOTES TO THE BASIC FINANCIAL STATEMENTS NOTE 8 : Pension Disclosures

The net pension liability was measured as of December 31, 2024. The plan fiduciary net position was valued as of the measurement date while the total pension liability was determined based upon rolling forward the total pension liability from the actuarial valuation as of December 31, 2023. The components of the net pension liability as of December 31, 2024 are as follows:

#### **Net Pension Liability**

For the Year Ended December 31, 2024 (Dollars in Thousands)

	AL MOREAU	
Total Pension Liability	\$	27,936,685
Less: Plan Fiduciary Net Position		(23,961,991)
Net Pension Liability	<u>\$</u>	3,974,694
Plan Fiduciary Net Position as a Percentage of the Total Pension Liabil	lity	85.77%

#### **Actuarial Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include future salary increases and investment earnings, expected retirement age, life expectancy and other relevant factors. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. OCERS' independent actuary and Board of Retirement review the economic and demographic assumptions every three years and the actuarially determined contributions annually.

In preparing the actuarial valuation, the actuary has complied with the parameters set forth in GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25* (GASB 67), and employed generally accepted actuarial methods and assumptions to measure the total pension liability of employers. The actuary's calculations are based upon member data and financial information provided by the System. Projection of benefits for financial reporting purposes is based on all benefits estimated to be payable through the System to current active, retired and inactive employees as a result of their past service and their expected future service.

The total pension liability as of December 31, 2024 was determined by rolling forward the liability as determined in the actuarial valuation as of December 31, 2023. The actuarial assumptions used were based on the results of an experience study for the period from January 1, 2020 through December 31, 2022 and they are the same assumptions used in the December 31, 2024 funding valuation for OCERS. In particular, the following actuarial assumptions were applied in the measurement:

Inflation	2.50%
Salary Increases	General: 3.90% to 10.25% and Safety: 4.50% to 15.00%, vary by service, including inflation
Cost of Living Adjustments (COLA)	Retiree COLA increases of 2.75% per year. For members that have COLA banks, it is assumed they receive 3.00% COLA increases until their COLA banks are exhausted and 2.75% thereafter.
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation
Mortality Rates	Pub-2010 Amount Weighted Above-Median Mortality Table, projected generationally using two-dimensional MP-2021 scale, adjusted separately for healthy and disabled for both general and safety members.
Other Assumptions	Actuarial experience study during the period of January 1, 2020 through December 31, 2022

NOTE 8: Pension Disclosures (continued)

## Long-Term Expected Real Rate of Return

The long-term expected rate of return on pension plan investments<sup>1</sup> was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. Beginning with December 31, 2023, this portfolio return is further adjusted to an expected geometric real rate of return for the portfolio. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation and beginning with December 31, 2023, after deducting any applicable investment management expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2024 actuarial valuation. This information will change every three years based on the actuarial experience study.

		Long-Term Expected
Asset Class	Target Allocation	Arithmetic Real Rate of Return <sup>2</sup>
Global Equity	45.00%	7.05%
Investment Grade Bonds	9.00%	1.97%
High Yield Bond	0.50%	4.63%
TIPS	2.00%	1.77%
Emerging Market Debt	0.50%	4.72%
Long-Term Government Bonds	3.30%	2.82%
Real Estate	3.00%	3.86%
Private Equity	15.00%	9.84%
Private Credit	3.50%	6.47%
Value Added Real Estate	3.00%	7.38%
Opportunistic Real Estate	1.00%	9.74%
Energy	2.00%	10.89%
Infrastructure (Core Private)	1.00%	5.98%
Infrastructure (Non-Core Private)	3.00%	8.88%
Global Macro	1.70%	3.17%
CTA (Trend Following)	3.30%	3.15%
Alternative Risk Premia	1.70%	3.24%
Special Situations Lending	1.50%	8.96%
Total	<u>100.00 %</u>	6.55%

Long-Term Expected Real Rate of Return

For the Year Ended December 31, 2024

<sup>1</sup> The investment return assumption for funding purposes is developed net of both investment and administrative expenses; however, the same investment return assumption is used for financial reporting purposes, where it is considered gross of administrative expenses.

<sup>2</sup> Arithmetic real rates are net of inflation

# NOTE 8 : Pension Disclosures (continued)

## **Discount Rate**

The discount rate used to measure the total pension liability was 7.00% for the year ended December 31, 2024. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the plan fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2024.

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table represents the net pension liability as of December 31, 2024, of participating employers calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.00%) or 1.00% higher (8.00%) than the current rate:

#### Sensitivity of Net Pension Liability to Changes in the Discount Rate

As of December 31, 2024 (Dollars in Thousands)

1% Decrease	Current Discount Rate	1% Increase
(6.00%)	(7.00%)	(8.00%)
\$7,779,140	\$3,974,694	\$863,480

# SECTION 2 FINANCIAL: REQUIRED SUPPLEMENTARY INFORMATION

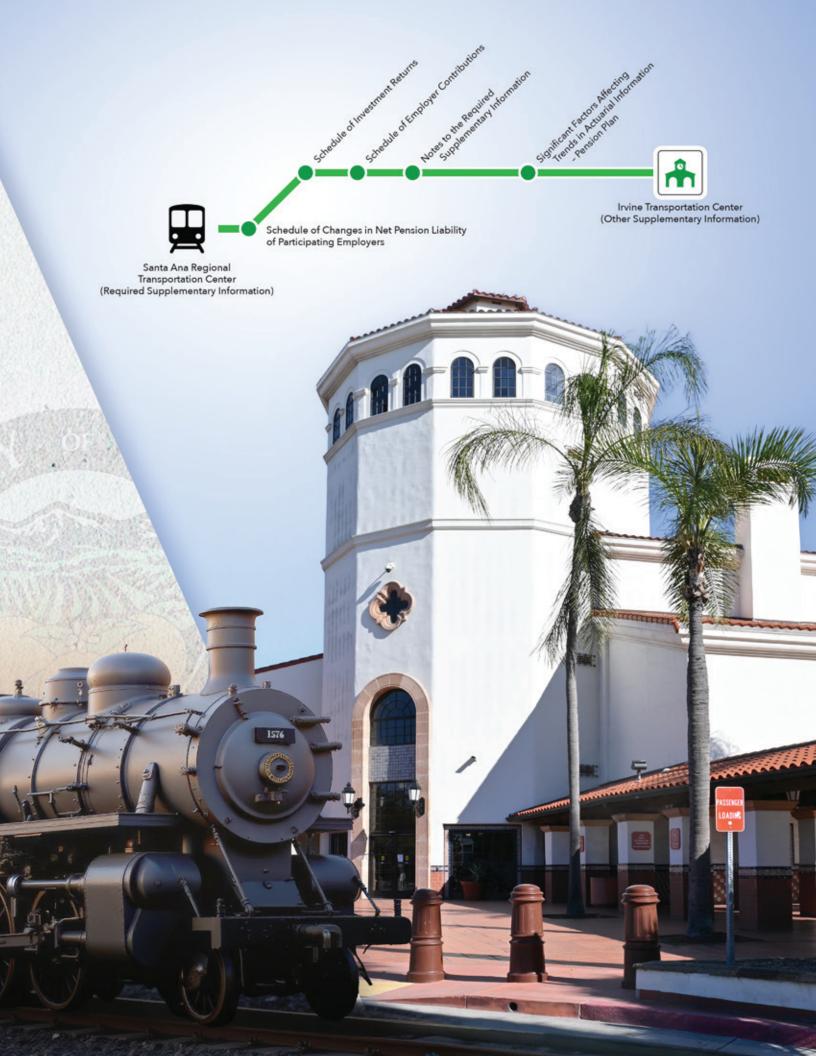
#### **Santa Ana Regional Transportation Center**

- Where Heritage Meets Renewal

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Opened in 1985, the Santa Ana Regional Transportation Center symbolizes a renewed commitment to connection and service in the heart of Orange County. Designed in the spirit of Mission Revival architecture, the station bridges past and present – much like OCERS itself, which expanded its reach during this period to support a growing and diversifying membership. As a major hub for rail and bus transit, the station reflects the same core values OCERS upholds: accessibility, community, investment, and long-term vision. Here, tradition and progress converge – charting a path for the future while honoring the foundations that brought us here.

AMTRAK



# SCHEDULE OF CHANGES IN NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

For the Years Ended December 31, 2015 through 2024 (Dollars in Thousands)

	2024	2023	2022	2021	2020
Total Pension Liability					
Service Cost	\$ 564,606	\$ 536,400	\$ 526,769	\$ 510,863	\$ 512,255
Interest	1,859,623	1,750,651	1,675,053	1,609,891	1,535,954
Differences Between Expected and Actual Experience	153,725	326,785	46,500	(113,046)	162,336
Changes of Assumptions	-	165,526	-	-	18,967
Benefit Payments, Including Refunds of Employee Contributions	(1,285,410)	(1,216,248)	(1,139,715)	(1,045,738)	(973,325)
Other	<u> </u>				
Net Change in Total Pension Liability	1,292,544	1,563,114	1,108,607	961,970	1,256,187
Total Pension Liability - Beginning	_26,644,141	25,081,027	23,972,420	23,010,450	21,754,263
Total Pension Liability - Ending (a)	<u>\$ 27,936,685</u>	<u>\$ 26,644,141</u>	<u>\$ 25,081,027</u>	<u>\$ 23,972,420</u>	<u>\$ 23,010,450</u>
Plan Fiduciary Net Position					
Contributions - Employer <sup>2</sup>	\$ 846,363	\$ 749,776	\$ 719,691	\$ 698,791	\$ 659,807
Contributions - Employee	302,545	277,455	269,999	271,334	279,384
Net Investment Income/(Loss)	2,332,245	2,325,481	(2,058,590)	3,222,065	2,173,184
Benefit Payments, Including Refunds of Employee Contributions	(1,285,410)	(1,216,248)	(1,139,715)	(1,045,738)	(973,325)
Administrative Expense	(31,181)	(29,056)	(23,546)	(21,473)	(20,428)
Net Change in Plan Fiduciary Net Position	2,164,562	2,107,408	(2,232,161)	3,124,979	2,118,622
Plan Fiduciary Net Position - Beginning	21,797,429	19,690,021	21,922,182	18,797,203	16,678,581
Plan Fiduciary Net Position - Ending (b)	23,961,991	21,797,429	19,690,021	21,922,182	18,797,203
Net Pension Liability (a) - (b) = (c)	<u>\$ 3,974,694</u>	<u>\$ 4,846,712</u>	<u>\$    5,391,006</u>	<u>\$ 2,050,238</u>	<u>\$ 4,213,247</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b)/(a)	85.77%	81.81%	78.51%	91.45%	81.69%
Covered Payroll (d) <sup>4</sup>	\$ 2,252,414	\$ 2,042,240	\$ 1,932,374	\$ 1,870,387	\$ 1,909,268
Plan Net Pension Liability as a Percentage of Covered Payroll (c)/(d)	176.46%	237.32%	278.98%	109.62%	220.67%

<sup>1</sup> Orange County Public Law Library was separated out from the Orange County Sanitation District in Rate Group #3 and put into their own Rate Group (Rate Group #12) after the valuation as of December 31, 2015. There was an adjustment to the UAAL for Rate Group #3 that was originally included in the December 31, 2015 valuation. There was a credit of \$509 given to the Orange County Public Law Library to reflect that their future service enhancement did not increase the UAAL.

<sup>2</sup> Reduced by discount for prepaid contributions and transfers from County Investment Account.

<sup>3</sup> Transfers from the Orange County Sanitation District Deferred UAAL Account which were required to offset a UAAL increase for assumption changes in 2017 and actuarial losses in 2018 and 2019 have been excluded from this amount.

<sup>4</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

64

# SCHEDULE OF CHANGES IN NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

For the Years Ended December 31, 2015 through 2024 (Dollars in Thousands)

(continued)

	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 499,256	\$ 491,373	\$ 452,412	\$ 427,473	\$ 439,454
Interest	1,452,644	1,379,917	1,305,268	1,241,080	1,197,308
Differences Between Expected and Actual Experience	24,383	(118,124)	(66,964)	(323,566)	(205,463)
Changes of Assumptions	-	-	827,197	-	-
Benefit Payments, Including Refunds of Employee Contributions	(900,902)	(828,278)	(764,344)	(717,976)	(675,963)
Other				(509) <sup>1</sup>	
Net Change in Total Pension Liability	1,075,381	924,888	1,753,569	626,502	755,336
Total Pension Liability - Beginning	_20,678,882	19,753,994	18,000,425	17,373,923	16,618,587
Total Pension Liability - Ending (a)	<u>\$ 21,754,263</u>	<u>\$ 20,678,882</u>	<u>\$ 19,753,994</u>	<u>\$ 18,000,425</u>	<u>\$ 17,373,923</u>
Plan Fiduciary Net Position					
Contributions - Employer <sup>2</sup>	\$ 653,793 <sup>3</sup>	\$ 580,905 <sup>3</sup>	\$ 572,104 <sup>3</sup>	\$ 567,196	\$ 571,298
Contributions - Employee	279,373	270,070	262,294	258,297	249,271
Net Investment Income/(Loss)	2,183,808	(324,628)	1,939,635	1,061,243	(10,873)
Benefit Payments, Including Refunds of Employee Contributions	(900,902)	(828,278)	(764,344)	(717,976)	(675,963)
Administrative Expense	(19,171)	(18,284)	(17,002)	(16,870)	(12,521)
Net Change in Plan Fiduciary Net Position	2,196,901	(320,215)	1,992,687	1,151,890	121,212
Plan Fiduciary Net Position - Beginning	14,481,680	14,801,895	12,809,208	11,657,318	11,536,106
Plan Fiduciary Net Position - Ending (b)	16,678,581	14,481,680	14,801,895	12,809,208	11,657,318
Net Pension Liability (a) - (b) = (c)	<u>\$ 5,075,682</u>	<u>\$ 6,197,202</u>	<u>\$ 4,952,099</u>	<u>\$    5,191,217</u>	<u>\$    5,716,605</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b)/(a)	76.67%	70.03%	74.93%	71.16%	67.10%
Covered Payroll (d) <sup>4</sup>	\$ 1,783,054	\$ 1,718,798	\$ 1,678,322	\$ 1,602,675	\$ 1,521,036
Plan Net Pension Liability as a Percentage of Covered Payroll (c)/(d)	284.66%	360.55%	295.06%	323.91%	375.84%

65

# SCHEDULE OF INVESTMENT RETURNS

For the Years Ended December 31, 2015 Through 2024

Year Ended December 31	Annual Money Weighted Rate of Return, Net of Investment Expense					
2015	-0.51%					
2016	8.71%					
2017	14.74%					
2018	-1.31%					
2019	14.81%					
2020	11.22%					
2021	16.67%					
2022	-7.88%					
2023	11.44%					
2024	9.98%					

# SCHEDULE OF EMPLOYER CONTRIBUTIONS

For the Years Ended December 31, 2015 through 2024 (Dollars in Thousands)

Year Ended December 31	Actuarially Determined Contributions <sup>1</sup>	Actual Contributions <sup>1, 3</sup>	Contribution Deficiency / (Excess)	Covered Payroll <sup>2</sup>	Contributions as a % of Covered Payroll <sup>1, 2</sup>		
2015	\$ 502,886	\$ 571,298	\$ (68,412)	\$ 1,521,036	37.56%		
2016	521,447	567,196	(45,749)	1,602,675	35.40%		
2017	536,726	572,104	(35,378)	1,678,322	34.09%		
2018	556,728	580,905	(24,177)	1,718,798	33.80%		
2019	583,057	653,793	(70,736)	1,783,054	36.67%		
2020	638,215	659,807	(21,592)	1,909,268	34.56%		
2021	684,142	698,791	(14,649)	1,870,387	37.36%		
2022	707,318	719,691	(12,373)	1,932,374	37.24%		
2023	736,016	749,776	(13,760)	2,042,240	36.71%		
2024	830,734	846,363	(15,629)	2,252,414	37.58%		

<sup>1</sup> Excludes employer pickup of member contributions, discount for prepaid contributions, transfers from County Investment Account (funded by pension obligation proceeds held by OCERS) and transfers from Orange County Sanitation District UAAL Account (amount required to offset UAAL increases for assumption changes in 2017 and actuarial losses in 2018 and 2019). Those amounts are as follows: (Dollars in Thousands)

	Discount for Prepaid Transfers from County Contributions Investment Account		Transfers from O.C. Sanitation District UAAL Deferred Account		Year Ended December 31	Discount for Prepaid Contributions		Transfers from County Investment Account		Transfers from O.C. Sanitation District UAAL Deferred Account		
2015	\$	27,301	\$ -	\$	-	2020	\$	24,731	\$	5,000	\$	-
2016		24,353	-		-	2021		31,520		15,077		-
2017		22,921	-		24,042	2022		37,039		14,962		-
2018		21,218	-		14,589	2023		21,205		10,000		-
2019		22,049	-		18,631	2024		5,319		4,962		-

 $^{\rm 2}$  Covered payroll represents payroll on which contributions to the pension plan are based.

 $^{\scriptscriptstyle 3}$  Includes additional contributions made by employers towards the reduction of their UAAL.

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

### **Actuarial Valuation Methods and Assumptions**

The actuarial determined contribution rates in the schedule of employer contributions are calculated as of December 31. Rates are effective eighteen months after the valuation date for the fiscal year that begins July 1. The following actuarial methods and assumptions were used to calculate the actuarially determined contributions for the year ended December 31, 2024:

Valuation Date	Actuarially determined contribution rates for the first six months of calendar year 2024 or the second half of fiscal year 2023-2024 are calculated based on the December 31, 2021 valuation. Actuarially determined contribution rates for the last six months of calendar year 2024 or the first half of fiscal year 2024-2025 are calculated based on the December 31, 2022 valuation.
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll for total unfunded actuarial accrued liability
Remaining Amortization Period	Effective December 31, 2013, the outstanding balance of the UAAL from the December 31, 2012 valuation was combined and re-amortized over a declining 20-year period. Any changes in UAAL due to actuarial gains or losses or due to changes in assumptions or methods will be amortized over separate 20-year periods. Any changes in UAAL due to plan amendments will be amortized over separate 15-year periods and any change in UAAL due to early retirement incentive programs will be amortized over a separate period of up to 5 years.
Asset Valuation Method	The Actuarial Value of Assets is determined by recognizing any difference between the actual and the expected market return over a five-year period. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.
A	
Actuarial Assumptions:	
December 31, 2021 Valuation	
Investment Rate of Return	7.00% net of pension plan administrative and investment expense, including inflation
Inflation Rate	2.50%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	General: 4.00% to 11.00% and Safety: 4.60% to 15.00%, vary by service, including inflation
Cost of Living Adjustments (COLA)	Retiree COLA increases of 2.75% per year. For members that have COLA banks, it is assumed they receive 3.00% COLA increases until their COLA banks are exhausted and 2.75% thereafter
Other Assumptions	Same as those used in the December 31, 2021 funding actuarial valuation
December 31, 2022 Valuation	
Investment Rate of Return	7.00% net of pension plan administrative and investment expense, including inflation
Inflation Rate	2.50%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	General: $4.00\%$ to $11.00\%$ and Safety: $4.60\%$ to $15.00\%$ , vary by service, including inflation
Cost of Living Adjustments (COLA)	Retiree COLA increases of 2.75% per year. For members that have COLA banks, it is assumed they receive 3.00% COLA increases until their COLA banks are exhausted and

Other Assumptions

Same as those used in the December 31, 2022 funding actuarial valuation

2.75% thereafter

### SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION – PENSION PLAN

### **Changes in Benefit Terms**

- Superior Court of California, County of Orange adopted Plan U (2.5% at 67 PEPRA) on a go forward basis for all existing employees in Plan T and any future PEPRA eligible employees with an effective date of July 1, 2023. This enhancement resulted in a slight decrease to the employer and employee normal cost rates for Plan T and a slight increase to the employer and employee normal cost for Plan U as reported for Rate Group #2 in the original 12/31/2021 actuarial valuation.
- New employees hired by the City of San Juan Capistrano on and after July 1, 2016 will be offered a choice in retirement plan formulas; the PEPRA Plan U (2.5% at 67 PEPRA General) or the alternate plan formula, Plan W (1.62% at 65 PEPRA General).
  - Orange County Public Law Library was moved from Rate Group #3 into its own rate group, Rate Group #12.

### SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION – PENSION PLAN

(continued)

#### **Changes in Assumptions**

• Projected salary increases for general members of 4.00% to 11.00% changed to 3.90% to 10.25% and safety members changed from 4.60% to 15.00% to 4.50% to 15.00%.

• Maintain Pub-2010 Benefit-Weighted mortality tables as a starting point ("base table"), projected generationally using mortality improvement scale MP-2021, with adjustments. For beneficiaries not currently in pay status, update to use the same table as General Healthy Retirees. Administrative tables still use static projection for member contribution rates.

• The inflation rate was reduced from 2.75% to 2.50% (retiree cost-of-living assumption maintained at 2.75%).

• Projected salary increases for general members of 4.25% to 12.25% changed to 4.00% to 11.00% and safety members changed from 4.75% to 17.25% to 4.60% to 15.00%.

• Mortality rate tables changed to Pub-2010 Amount Weighted Above-Median Mortality Table, projected generationally using two-dimensional MP-2019 scale, adjusted separately for healthy and disabled for both general and safety members.

• The cost impact of assumption changes to employers is \$19 million.

#### • The assumed rate of return was decreased from 7.25% to 7.00%.

• The inflation rate was decreased from 3.00% to 2.75%.

• Projected salary increases for general members of 4.25% to 13.50% changed to 4.25% to 12.25% and safety members changed from 5.00% to 17.50% to 4.75% to 17.25%.

• Mortality rate tables changed to a Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected generationally using two-dimensional MP-2016 scale, adjusted separately for healthy and disabled for both general and safety members.

• Impact due to assumption changes to be phased-in over three years.

### SECTION 2 FINANCIAL: OTHER SUPPLEMENTARY INFORMATION

### **Irvine Transportation Center**

- Rooted in Planning, Reaching Toward the Future

Opened in 1990, the Irvine Transportation Center reflects the city's reputation for intentional design, innovation, and balance. Positioned near major tech corridors and civic landmarks like the Great Park and Irvine Spectrum, the station serves as a gateway for a region built on foresight and infrastructure. Much like OCERS' approach to financial stewardship, Irvine's growth has been guided by transparency, structure, and long-term vision. This stop serves as a reminder that enduring systems are built through thoughtful planning and a commitment to progress.

AMTRAK



### SCHEDULE OF CONTRIBUTIONS

For the Year Ended December 31, 2024 (Dollars in Thousands)

	Employee	Employer
Pension Trust Fund Contributions		
County of Orange	\$ 225,585	\$ 660,302
Orange County Fire Authority	33,397	86,142 <sup>1</sup>
Orange County Superior Court of California	17,208	47,591
Orange County Transportation Authority	13,037	35,314
Orange County Sanitation District	9,374	9,541
Orange County Employees Retirement System	1,527	5,061
UCI Medical Center & Campus	-	2,936 <sup>2</sup>
City of San Juan Capistrano	683	2,349
Transportation Corridor Agencies	888	985
Orange County Department of Education	-	338 <sup>2</sup>
Orange County Cemetery District	201	274
Orange County Local Agency Formation Commission	54	220
Orange County In-Home Supportive Services Public Authority	185	224
Orange County Children & Families Commission	217	271
Orange County Public Law Library	178	133
Orange County Mosquito and Vector Control District	11	
Contributions Before Prepaid Discount	302,545	851,681
Prepaid Employer Contribution Discount		(5,318)
Total Pension Trust Fund Contributions	302,545	846,363
Health Care Fund - County Contributions	-	6,404
Health Care Fund - OCFA Contributions	-	30,588
Custodial Fund - OCTA Employer OPEB Contributions		17,669
Total Contributions	<u>\$ 302,545</u>	<u>\$ 901,024</u>

<sup>1</sup>Unfunded actuarial accrued liability payments were made for \$15.6 million by the Orange County Fire Authority.

<sup>2</sup> Unfunded actuarial liability payments have been made in accordance with a separate 20-year level dollar payment schedule to include liabilities for employee benefits related to past service credit.

### SCHEDULE OF ADMINISTRATIVE EXPENSES

•For the Year Ended December 31, 2024 (Dollars in Thousands)

	1962.03	
Pension Trust Fund Administrative Expenses		
Expenses Subject to the Statutory Limit		
Personnel Services		
Employee Salaries and Benefits	\$	20,018
Board Members' Allowance		11
Total Personnel Services		20,029
Office Operating Expenses		
Depreciation/Amortization		2,519
Professional Services		2,552
General Office and Administrative Expenses		3,192
Rent/Leased Real Property		971
Total Office Operating Expenses		9,234
Total Expenses Subject to the Statutory Limit		29,263
Expenses Not Subject to the Statutory Limit		
Information Technology Professional Services		1,191
Information Security Professional Services		162
Finance Software Professional Services		3
Actuarial Fees		330
Equipment / Software		232
Total Expenses Not Subject to the Statutory Limit		1,918
Total Pension Trust Fund Administrative Expenses		31,181
Health Care Fund - County Administrative Expenses		24
Health Care Fund - OCFA Administrative Expenses		22
Custodial Fund - OCTA Administrative Expenses		23
Total Administrative Expenses	<u>\$</u>	31,250

### SCHEDULE OF INVESTMENT EXPENSES

For the Year Ended December 31, 2024 (Dollars in Thousands)

Investment Management Fees*	
Global Public Equity	\$ 18,297
Income Strategies	18,838
Real Assets	44,040
Private Equity	45,184
Risk Mitigation	10,085
Unique Strategies	5,295
Short-Term Investments	 111
Total Investment Management Fees	 141,850
Other Fund Expenses <sup>1</sup>	 38,232
Other Investment Expenses	
Consulting/Research Fees	2,361
Investment Department Expenses	4,326
Legal Services	429
Custodian Services	580
Investment Service Providers	 44
Total Other Investment Expenses	 7,740
Security Lending Activity	
Security Lending Fees	188
Rebate Fees	 10,912
Total Security Lending Activity	 11,100
Custodial Fund - OCTA Investment Fees and Expenses	 3
Total Investment Expenses	\$ 198,925

\* Does not include undisclosed fees deducted at source.

<sup>1</sup> These costs include, but are not limited to, foreign income tax and other indirect flow-through investment expenses such as organizational expenses in limited partnership structures.

### SCHEDULE OF PAYMENTS FOR PROFESSIONAL SERVICES

•For the Year Ended December 31, 2024 (Dollars in Thousands)

Type of Services*		
Professional Expenses Subject to the Statutory Limit		
Medical/Disability Services	\$	333
Information Technology Services		186
Legal Counsel		492
Other Consulting/Services		855
Operations Support Services		312
Audit Services		118
Other Legal Services		27
Human Resources Services		178
Finance Services		<u>51</u>
Total Professional Expenses Subject to the Statutory Limit	_	2,552
Professional Expenses Not Subject to the Statutory Limit		
Consulting/Research Fees		2,361
Information Technology Consultants		1,191
Custodian Services		580
Investment Legal Services		429
Actuarial Services		330
Information Security Consultants		162
Investment Service Providers		44
Finance Software Consultants		3
Total Professional Expenses Not Subject to the Statutory Limit		<u>5,100</u>
Total Payments for Professional Expenses	\$	7,652

\* Detail for fees paid to investment professionals is presented in the Investment Section.

# SECTION 3

### **San Clemente Station**

- Investing in Stability, Framed by the Sea

Opened in 1995 and perched beside the Pacific, the San Clemente Station reflects enduring value in form and function. Its Spanish Colonial Revival architecture and coastal setting offer a visual reminder that wise investments are not only measured in numbers but in impact over time. Just as the station connects travelers with California's scenic corridor, OCERS' investment strategies are designed to balance growth with resilience and vision with responsibility. This stop reminds us that with the proper foundation, every investment can weather the tides of change.



MEKETA

5796 Armada Drive Suite 110 Carlsbad, CA 92008 760.795.3450 Meketa.com

#### MEMORANDUM

TO: Board Members, Orange County Employees Retirement System FROM: Stephen McCourt, Allan Emkin, Laura Wirick, Stephanie Sorg, Meketa Investment Group DATE: March 11, 2025 RE:

Investment Consultant's Statement for 2024 Annual Comprehensive Financial Report

This letter reviews the investment performance of the Orange County Employees Retirement System ("OCERS") portfolio for the fiscal year ending December 31, 2024.

OCERS' stated mission is to provide secure retirement and disability benefits with the highest standards of excellence. To this end, OCERS strives to align the portfolio's asset allocation, investments, and other related decisions with the goals of the overall System. This alignment is a fundamental part of the Investment Committee's regular meetings, where performance is examined (both on an overall portfolio basis and at the manager level), asset allocation is reviewed and modified to fit changes in expected return, strategic and tactical decisions are discussed, and the System's liabilities are reviewed. Meketa Investment Group, OCERS' general consultant, works to provide guidance to the Board (the System's fiduciary), and assists the Board with performance evaluation, asset allocation, manager selection, and other industry best practices.

State Street Bank and Trust Company, OCERS' custodian, independently prepared the performance data used in this report. Rates of return are represented using a time-weighted rate of return methodology based upon market values.

#### Calendar 2024 Year in Review

#### **First Quarter**

At the beginning of Calendar Year 2024, the global economy was characterized by moderating inflation and steady growth, as well as a feeling in many parts of the world that interest rate cuts would be forthcoming. Global growth was projected at 3.1%<sup>1</sup> for 2024, slightly higher than previous forecasts, driven by anticipated resilience in the US and emerging markets, along with likely fiscal support in China. However, the actual growth during the year remained below the historical average primarily due to high central bank policy rates and low productivity growth outside the US.

At the start of the year, in most areas of the globe, inflation had declined closer to central bank target ranges. US inflation, as represented by the Consumer Price Index, stood at 3.4%<sup>2</sup>, as of December 2023. It was projected to continue to decline by the end of the year due to tighter monetary policy and easing supply chain pressures. Inflation in Europe was at 2.9%, with the Euro area experiencing a slight increase from the previous months. In Japan, inflation stood at 2.6% a significant departure from its decades long struggles with deflation. Meanwhile, China faced much lower inflation, with the consumer price index declining to -0.8% over the trailing twelve months as of January 31, 2024, despite government stimulus measures.

However, as we moved forward in 2024, it became more apparent that the resilient economic data that was driving global equities higher was also pushing out the timing of the expected first US Federal reserve rate cut, leading to adjustments in bond prices and yields throughout the year. At that time, major central banks had largely paused interest rate hikes with expectations that many would eventually cut rates.

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(continued)

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March 11, 2025

The uneven pace of falling inflation and economic growth across countries led to speculation that the pace of rate cuts could vary between central banks.

Inflation pressures had significantly eased in most countries from their pandemic peaks, but levels were still above most central bank targets with questions about how inflation would track going forward. Advanced economies saw more rapid disinflation compared to emerging markets. That said, in the US, headline inflation in March 2024 rose by more than expected (3.2% to 3.5%), while core inflation was unchanged (3.8%) despite a predicted decline to 3.7%.

Among equity asset classes, US markets (Russell 3000 Index) rose 10.0% in the first quarter of calendar 2024. The technology sector continued to perform well, with the energy sector gaining on geopolitical tensions. Non-US developed equity markets (MSCI EAFE) increased 5.8% in the quarter, helped by Japanese equities which hit multi-decade highs. A strengthening US dollar drove the weaker relative results for US investors with returns in local currency terms (MSCI EAFE Local) 4.2% higher (10.0% versus 5.8%) over the first quarter of calendar 2024.

During the first quarter of calendar 2024, emerging markets equities (MSCI Emerging Markets) had the weakest equity returns (+2.4%), led by China (MSCI China at -2.2%). Slowing economic growth, lingering issues in the property sector, and efforts by the US to discourage investments in China all weighed on results. The stronger dollar also hurt performance in emerging markets for US-based investors with returns in local currency terms (MSCI Emerging Markets Local) 2.1% higher (4.5%) during the same quarter.

Higher inflation and rising interest rates weighed on bonds with the broad US bond market (Bloomberg Aggregate) returning -0.8% for the first quarter of calendar 2024. High Yield Bonds (Barclays High Yield) remained positive, up 1.5% for the same quarter, as risk appetite remained strong and all-in yields attractive.

#### Second Quarter

The second quarter of calendar 2024 began with the notion of rates staying "higher for longer" given continued, resilient economic data. Stronger than expected inflation and employment data in the US weighed on both stocks and bonds in April. However, by May and June, sentiment changed as the Federal Reserve confirmed it was unlikely they would increase interest rates and economic data started largely coming in below expectations. Headline year-over-year inflation in the US fell 0.5% over the second quarter to 3.0% with several readings coming in below expectations. Core CPI also fell 0.5% in the quarter, finishing at 3.3%. Outside the US, inflation readings continued to decline in many developed markets, enough so that central banks in Canada, Sweden, Switzerland, and the EU all cut interest rates in the second quarter of calendar 2024.

Among equity asset classes, US markets (Russell 3000 Index) rose 3.2% in the second quarter of calendar 2024. Large capitalization technology companies again performed well driven by continued excitement over artificial intelligence. Enthusiasm surrounding artificial intelligence also benefited utilities, although to a lesser extent, with the market recognizing the massive computing power and energy needed to incorporate these technologies into many facets of everyday life. Non-US developed equity markets (MSCI EAFE) decreased 0.4% in the second quarter of calendar 2024. Strength in the US dollar drove the weaker relative results for US investors with returns in local currency terms (MSCI EAFE Local) 1.4% higher (+1.0% versus -0.4%). Emerging markets equities had the best returns in the second quarter of calendar 2024, with the MSCI Emerging Markets Index returning +5.0%, partially attributed to China (MSCI China) at +6.9%.

Page 2 of 7

(continued)

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March 11, 2025

Rising interest rates weighed on bonds with income balancing capital losses. The broad US bond market (Bloomberg Aggregate) returned 0.1% for the second quarter of calendar 2024. High yield bonds (Barclays High Yield) remained positive, up 1.1% for the quarter.

#### Third Quarter

As the third quarter of 2024 began, markets were guided by the continued themes of inflation trends and economic growth projections across key regions. In the Eurozone, inflation had unexpectedly increased to 2.6% in July, from 2.5%<sup>3</sup> in June, driven by rising energy costs, while Japan's inflation remained steady at 2.8%, prompting the Bank of Japan to raise the policy rate to 0.25% after decades of near-zero rates. China's central bank had implemented another round of interest rate cuts, aiming to support the economy amid a modest inflation recovery to 0.5% in July. In the US, inflation continued to decline, with year-over-year headline inflation falling to 2.9% in July, although shelter costs remained a significant contributor to monthly inflation increases.

Global economic growth was projected to remain stable, with the International Monetary Fund forecasting a growth rate of around 3.2% for 2024, matching the 2023 estimate, and most major economies were expected to avoid a recession. However, key economic data in the US had weakened, leading markets to anticipate multiple rate cuts by the Federal Reserve in response to improving inflation data and signs of economic weakness. This divergence in monetary policy among central banks, with some cutting rates and others raising them, was likely to influence capital flows and currency movements in the coming months.

In the third quarter of 2024, the US equity markets, represented by the Russell 3000 Index, rose by 6.2%. This increase was driven by a broadening rally that included strong performance in value and small cap stocks, reversing the earlier trend of narrow leadership by large cap growth stocks. The technology sector continued to perform well, contributing to the overall gains in the US equity markets.

Non-US developed equity markets, as measured by the MSCI EAFE Index, increased by 7.3% in the third quarter, with Japanese equities hitting multi-decade highs, which significantly contributed to the overall performance. In a reversal of the first two quarters of the year, the weakening US dollar in the third quarter had a beneficial impact on returns for US investors, as the local currency version of the index (MSCI EAFE Local) returned just 0.8%. Emerging markets equities, represented by the MSCI Emerging Markets Index, posted a return of 8.7% in the third quarter, outperforming developed market stocks. Within emerging markets, China (MSCI China) saw a significant rally of 23.5% for the quarter, driven by a substantial policy stimulus package aimed at supporting equity prices and reducing bank reserve requirements.

The broad US bond market, represented by the Bloomberg Aggregate Index, returned 5.2% in the third quarter, benefiting from expectations of additional policy rate cuts as inflation pressures receded and the economy showed signs of possible slowing. High yield bonds, as measured by the Bloomberg High Yield Index, were up 5.3% due to strong risk appetite and attractive yields.

#### Fourth Quarter

At the start of the fourth quarter of 2024, the global economy was characterized by mixed outcomes influenced by various geopolitical and economic factors. The US election played a significant role, with markets reacting to the incoming Trump administration's proposed policies, which included tariffs, tax cuts and deportations, raising concerns about future inflationary pressures and economic stability. Despite these concerns, US equities experienced a post-election rally driven by optimism over potential policy benefits, such as deregulation.

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March 11, 2025

Even with the market focused on economic impacts from the incoming US administration's policies, the Federal Reserve cut its policy rate by 0.25% in December, but its Summary of Economic Projections and hawkish comments provoked a repricing of future rate cuts and their timing. That said, unemployment remained low and economic growth showed resilience throughout the quarter. Internationally, non-US markets faced challenges, with economic growth slowing in Europe and China, partly due to trade tensions and a strong US dollar. Overall, the quarter highlighted significant divergence between US and international markets, driven by varying economic policies and geopolitical uncertainties.

In the fourth quarter of 2024, global equity and bond markets exhibited varied performance. US equity markets, represented by the Russell 3000 Index, rose by 2.6%, driven by a post-election rally and strong performance in the technology sector. Non-US developed equity markets, as measured by the MSCI EAFE, declined by 8.1%, impacted by a strong US dollar and concerns over trade wars and slowing growth in Europe. Emerging markets equities, tracked by the MSCI Emerging Markets, fell by 8.0%, with China (MSCI China) declining by 7.7% due to slowing economic growth, property sector issues, and discouragement of US investments.

In the fixed income market, the broad US bond market (Bloomberg Aggregate) returned -3.1% due to higher inflation and rising interest rates. Conversely, High yield bonds (Bloomberg High Yield) were up 0.2%, reflecting a continued strong risk appetite and attractive yields.

Overall, in 2024, global economies experienced varied growth and inflation trends. The US saw an annual GDP growth of 2.5%, driven by strong consumer spending. Inflation in the US moderated to 3.0% by December, and the Fed Funds rate declined from a range of 5.25-5.50% to start the year down to 4.25-4.50% by year end. The Eurozone's GDP grew by 0.9%<sup>4</sup>, with inflation stabilizing at 2.5% for the year. Japan's economy expanded by 0.1% in 2024, with an annual inflation rate of 3.6%, and was the only major economy to raise rates during the year. China's official government numbers showed it achieved its GDP growth target of 5.0%<sup>5</sup>, supported by strong exports and government stimulus, though inflation remained low at 0.1% for the full calendar year.

Unemployment rates also varied across these regions. In the US, the unemployment rate was 4.1%<sup>6</sup> in December 2024, reflecting a slight increase from the previous year. The Eurozone's unemployment rate remained relatively stable, averaging around 6.5%. Japan's unemployment rate was low, at approximately 2.7%<sup>7</sup>, supported by steady job creation. In China, the unemployment rate hovered around 5.2%<sup>8</sup>, with government policies aimed at maintaining employment stability.

#### Calendar Year 2025 Outlook

In calendar year 2024, the US economy outperformed the rest of the developed world, with growth remaining strong, despite high interest rates. The Fed Funds rate ended the year above 4%, about 1% below where it started, while economic growth remained far from recessionary territory. This, combined with excitement over AI, led to strong results in equity markets, while fixed income markets finished in positive territory, with higher coupons that offset lower prices due to higher rates.

The year 2025 is poised to be a pivotal one, potentially marked by significant economic, political, and social developments. There are several areas that could guide markets, both positively and negatively. These include:

- → Trump Administration Policies
  - The market is focused on which of President Trump's campaign promises, such as tariffs, tax cuts, and immigration policy changes, will be implemented, especially given Republican control of both the House and Senate.

Page 4 of 7

(continued)

#### March 11, 2025

- President Trump's proposed tariffs on imports from countries like China, Mexico, Canada, and the European Union aim to protect US industries and generate federal revenue, but there is uncertainty about their scope and potential international retaliation. Higher tariffs could lead to domestic inflation by increasing the prices of imported goods, though the extent of this impact depends on the breadth, height, and duration of the tariffs, as well as potential mitigating actions by companies and countries<sup>9</sup>.
- President Trump also promised further tax cuts for corporations and individuals, but with the US debt-to-GDP ratio at its highest level since World War II, there are concerns about the impact on Treasury yields and investor appetite for US debt.<sup>10</sup>
- Stricter immigration policies could reduce the labor force, leading to wage inflation and potential
  negative effects on economic growth and investment, especially as the US population ages and
  the share of seniors increases<sup>11</sup>.
- → Federal Reserve Policy Dynamics
  - The Federal Reserve faces a challenging year in 2025, dealing with inflation levels above its target and uncertainties related to the Trump administration's economic policies.<sup>12</sup>
  - The FOMC has raised its inflation outlook for 2025, reflecting persistent inflationary pressures in the US economy.<sup>12</sup>
  - Inflation has driven up borrowing costs, with the US government's annual interest expense surpassing one trillion dollars in 2024, doubling from \$574 billion in 2021.<sup>13</sup>
  - Despite better-than-expected economic growth and labor markets, the Fed may find it difficult to justify cutting interest rates in 2025 due to ongoing inflationary pressures.<sup>14</sup>
  - The Fed's messaging in 2024 fluctuated, leading to increased expectations for the Fed Funds Rate in 2025 and 2026, with the estimated year-end 2025 rate ranging between 3.1% and 4.4%, and fewer anticipated rate cuts than previously forecasted.<sup>14</sup>
- $\rightarrow$  US Equities
  - In 2025, US equities are likely focused on concentration risk and elevated valuations, with a few select large-cap stocks, known as "The Magnificent 7," driving much of the market gain.
  - The Magnificent 7 accounted for 53.9% of the S&P 500 returns in 2024 and over 57% over the
    past three years<sup>15</sup>, increasing their share of market capitalization from 27% in December 2021 to
    33.8% at the end of 2024.<sup>16</sup> This concentration raises concerns about diversification, as any
    weakness in these stocks could disproportionately impact overall portfolio performance.
  - Following President Trump's election, sectors linked to his economic policies, such as consumer discretionary, communication services, and consumer staples, have shown strong performance, potentially broadening market gains.
  - Valuations remain elevated, with price-to-earnings ratios well above historic averages as of the end of 2024, reflecting optimism about earnings growth and economic resilience, but also increasing vulnerability to macroeconomic shocks and earnings disappointments.

Page 5 of 7

(continued)

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March 11, 2025

- → China's Economic Struggles
  - Since the COVID pandemic, the Chinese economy has struggled, with the IMF cutting its 2024 growth estimate to 4.8% and 4.5% for 2025, while deflationary pressures persist and sovereign bond yields trade below Japanese bond yields.<sup>17</sup>
  - The Chinese real estate sector's troubles have significantly impacted local and provincial government revenues, prompting the Chinese Communist Party to adopt cautious policies, including cutting policy rates, expanding debt issuance for local governments, and supporting bank liquidity.
  - Discussions regarding a debt restructuring program for local governments are unfolding, estimated to involve approximately two trillion dollars in hidden debt, with the central government allocating larger debt issuance allowances to preserve solvency and protect local banks and investment funds.<sup>18</sup>
  - Geopolitical tensions have led to a 29.1% decline in foreign direct investment into China year-over-year, and potential additional tariffs on Chinese products could further reduce annual growth by at least 70 basis points.<sup>19</sup>
  - In response to economic pressures, China has allowed the yuan to depreciate by nearly 4% against the US dollar between September and November, making exports cheaper but risking capital outflows, higher import prices, and increased foreign debt servicing costs, leading to continued downward revisions of economic forecasts.<sup>19</sup>

#### **OCERS 2024 Performance**

OCERS' portfolio returned 10.0% in 2024, compared to the Policy Index's trailing 12-month return of 9.8%. The portfolio return ranked in the top 24% of the Public Defined Benefit > \$1 Billion peer universe. Global Public Equity had the strongest absolute performance of all asset classes, returning 16.9%, while the Risk Mitigation asset class had the weakest 2024 performance of -1.6%. The functional role of the Risk Mitigation asset class is to provide diversification properties that are difficult to achieve in traditional asset classes and act as protection for the portfolio during equity drawdowns.

Over the trailing three- and five-year periods, the OCERS portfolio returned 4.1% and 8.0% on average annually. For the trailing three years, OCERS' performance ranked in the 14th percentile compared to peers, and over the trailing five years, ranked in the 17th percentile.

If you have any questions, please contact us at (760) 795-3450.

LBW/SBS/lv

Page 6 of 7

(continued)

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March 11, 2025

- <sup>1</sup> Source: International Monetary Fund <u>https://www.imf.org/en/Publications/WEO/Issues/2024/01/30/world-economic-outlook-update-january-2024</u>, <sup>2</sup> Source: FRED. Data is as December 2023.
- <sup>3</sup> Source: Bloomberg.
- 4 Source: Eurostat.
- <sup>5</sup> Source: National Bureau of Statistics of China .
   <sup>6</sup> Source: FRED and BLS. Data is as of December 31, 2024.
- 7 Ministry of Internal Affairs and Communications via Bloomberg.
- 8 National Bureau of Statistics of China via Bloomberg.
- <sup>9</sup> Source: Bureau of Economic Analysis national accounts data as of December 2023.
- <sup>10</sup> Source: FRED as of December 23, 2024. Includes Congressional Budget Office Forecast as of June 2024.
- 11 Source: FRED as of November 2024. Between 2007 and November 2024 the number of employed workers rose from 137.6 million to 159.3 million.
- <sup>12</sup> Source: FRED as of December 18, 2024. FOMC Summary of Economic Projections (SEP), released quarterly, includes annual forecasts for the estimated median Fed Funds Rate and Personal Consumption Expenditure (PCE) (unadjusted). These projections reflect the median forecast of voting members of the FOMC.
- 13 Source: FRED as of December 2024.
- 4 Source: FRED as of December 18, 2024. FOMC Summary of Economic Projections (SEP), released quarterly, includes annual forecasts for the estimated median Fed Funds Rate and Personal Consumption Expenditure (PCE) (unadjusted). These projections reflect the median forecast of voting members of the FOMC. <sup>15</sup> Source: FactSet as of December 2024.
- <sup>17</sup> Source: JP Morgan Private Bank, "China Outlook: Can China Make It in 2025?" November 25, 2025. Hidden local government debt estimated dollar value is approximately \$2 Trillion based on current exchange rate.
- <sup>19</sup> Source: UP Morgan Private Bank, "China Outlook: Can China Make It in 2025?" November 25, 2025. Hidden local government debt estimated dollar value is approximately
   <sup>19</sup> Source: Oxford Economics as of November 2024. "Policy Support Set to Gear Up Amid Rising Risks," November 2024.

Page 7 of 7

Return, inflation and treasury rate data from Bloomberg unless otherwise indicated.

### **INVESTMENT RETURNS**

The table below details the annualized rates of return for the different asset categories over various time periods ended December 31, 2024. The returns for each asset class represent the composite returns of all the manager portfolios within the asset class. All returns are net of fees, which is a change from the reporting in prior years when only indirect or at source fees were deducted from the returns being presented. The method of computation of investment returns is a time-weighted approximation.

	1 Year	3 Year	5 Year
Global Public Equity (%)	16.92	5.39	10.44
MSCI ACWI IMI (%)	16.37	4.90	9.67
Private Equity (%)	7.31	3.41	14.04
Cambridge Private Equity Lagged (%)	9.03	6.38	15.30
Income Strategies (%)	4.69	0.92	2.47
Income Strategies Benchmark (1) (%)	3.29	N/A	N/A
Real Asset (%)	2.00	6.43	6.18
Real Asset Custom Index (2) (%)	3.41	3.60	5.03
Risk Mitigation (%)	-1.56	2.24	2.82
Risk Mitigation Custom Index <sup>(3)</sup> (%)	1.39	0.81	2.13
Unique Strategies (%)	8.70	4.05	N/A
Short Term Investments (%)	6.24	4.44	2.75
Cash Overlay (%)	3.41	-3.69	2.22
91-day Treasury Bill (%)	5.25	3.89	2.46
Total Fund (%)	9.96	4.14	7.95
Composite Policy Benchmark <sup>(4)</sup> (%)	9.81	3.86	7.70

<sup>1</sup> Income Strategies Benchmark = 60% Bloomberg U.S. Aggregate + 11% Bloomberg U.S. TIPS Index + 17% Credit Suisse Leveraged Loan Index + 12% Credit Suisse Western European Leveraged Loan Index.

<sup>2</sup> Real Assets Custom Index = 45% NCREIF ODCE Index + 36% Cambridge Private Equity Energy Lagged + 13% Cambridge Infrastructure Index + 6% NCREIF Farmland Index through 6/30/2020, 58% NCREIF ODCE Index + 17% Cambridge Private Equity Energy Lagged + 25% Cambridge Infrastructure Index through 06/30/2023, 54% NCREIF ODCE Index + 16% Cambridge Private Equity Energy Lagged + 30% Cambridge Infrastructure Index thereafter.

<sup>3</sup> Risk Mitigation Custom Index = 50% HFRI Macro: Systematic Diversified CTA + 50% Bloomberg Long Term U.S. Treasury Index through 9/30/2019, 33.33% Bloomberg Long Term U.S. Treasury Index + 33.33% HFRI Macro: Systematic Diversified CTA + 33.33% SG Trend Index through 12/31/2019, 25% Bloomberg Long Term U.S. Treasury Index + 25% HFRX Macro: Systematic Diversified CTA + 25% SG Trend Index + 25% SG Multi Alternative Risk Premia through 6/30/2020, 25% Bloomberg Long Term U.S. Treasury Index + 25% HFRI Macro Total Index + 25% SG Trend Index + 25% SG Multi Alternative Risk Premia through 3/31/2022, 33.33% Bloomberg Long Term U.S. Treasury Index + 16.67% HFRI Macro Total Index + 33.33% SG Trend Index + 16.67% SG Multi Alternative Risk Premia through 3/31/2022, 33.33% Bloomberg Long Term U.S. Treasury Index + 16.67% HFRI Macro Total Index + 33.33% SG Trend Index + 16.67% SG Multi Alternative Risk Premia through 12/31/2019, 25% Bloomberg Long Term U.S. Treasury Index + 16.67% HFRI Macro Total Index + 25% SG Trend Index + 16.67% SG Multi Alternative Risk Premia through 3/31/2022, 33.33% Bloomberg Long Term U.S. Treasury Index + 16.67% HFRI Macro Total Index + 33.33% SG Trend Index + 16.67% SG Multi Alternative Risk Premia through 12/31/2019, 25% Bloomberg Long Term U.S. Treasury Index + 16.67% HFRI Macro Total Index + 25% SG Trend Index + 16.67% SG Multi Alternative Risk Premia through 12/31/2022, 33.33% Bloomberg Long Term U.S. Treasury Index + 16.67% HFRI Macro Total Index + 33.33% SG Trend Index + 16.67% SG Multi Alternative Risk Premia through 12/31/2022, 33.33% Bloomberg Long Term U.S. Treasury Index + 16.67% HFRI Macro Total Index + 33.33% SG Trend Index + 16.67% SG Multi Alternative Risk Premia threafter.

<sup>4</sup> Policy Benchmark = 45% MSCI ACWI IMI Index + 15% Cambridge Private Equity 1-Quarter Lag Index + 17% Income Strategies Benchmark <sup>1</sup> + 13% Real Assets Custom Index <sup>2</sup> + 10% Risk Mitigation Custom Index <sup>3</sup>

N/A - Represents new investment category and custom index; data not available.

### STATEMENT OF INVESTMENT OBJECTIVES AND POLICIES

#### General

The primary goal of the Orange County Employees Retirement System's investment program is to provide Plan participants with retirement benefits as required by the County Employees Retirement Law of 1937. This goal is accomplished through Employers' and Plan participants' contributions and the implementation of a carefully planned and monitored long-term investment program. The Board of Retirement (with the participation of the Investment Committee, staff, and advisors) has exclusive control of all investments of the Plan and is responsible for the establishment of investment objectives, strategies, and policies.

The Board of Retirement is authorized to invest in any form or type of investment deemed prudent in the informed opinion of the Board. The Investment Committee has adopted an Investment Policy Statement that provides a framework for managing of OCERS' investments. This purpose of the Investment Policy Statement is to assist the Investment Committee in effectively supervising, monitoring, and evaluating the investment of the system's assets.

### **Investment Objectives**

OCERS' goal is to meet the promised retirement benefits due to its members. OCERS invests the assets of the system solely for the benefit of plan participants and beneficiaries while minimizing employer contributions and investment and administration costs. The long-term performance objective for the portfolio is to exceed the actuarially assumed rate of return net of fees and expenses, with a secondary objective of exceeding the return on an appropriate designated benchmark over a complete economic cycle and relevant longer periods, also net of fees and expenses.

### **Strategic Asset Allocation Policy and Maintenance**

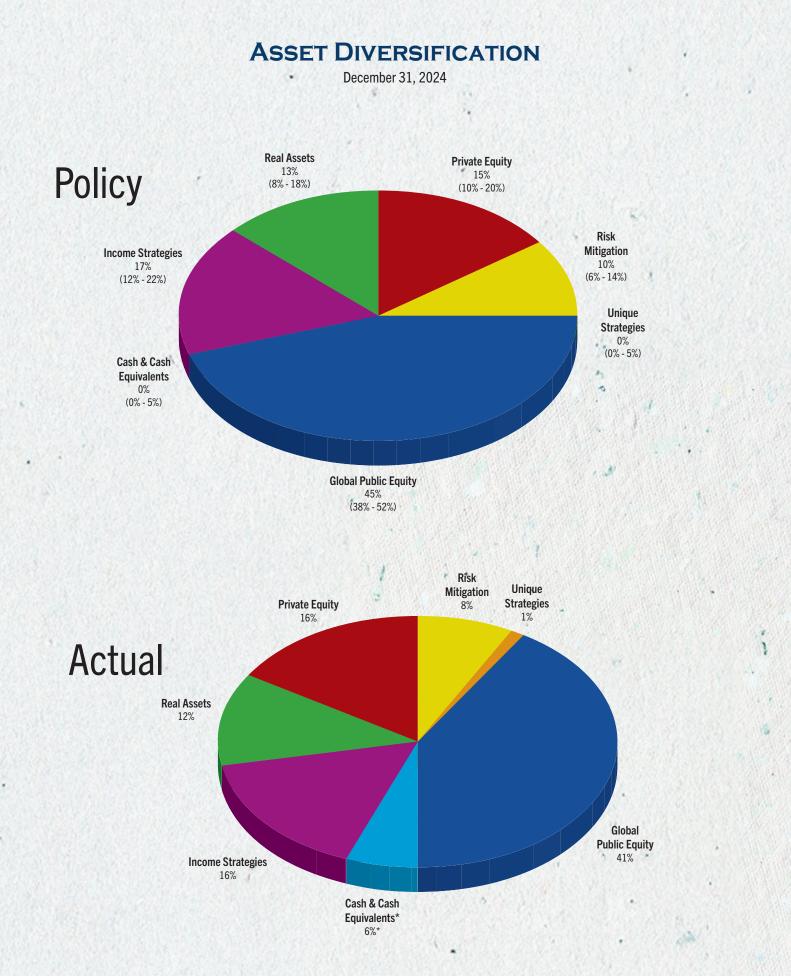
A pension fund's strategic asset allocation policy, implemented in a consistent and timely manner, is generally recognized to have the most impact on a fund's investment performance. The asset allocation policy determines a fund's optimal long-term asset class mix (target allocation). This policy is expected to achieve a specific set of investment goals, such as risk and return objectives. The policy also establishes ranges around the targeted levels which assets levels are permitted to fluctuate. Fluctuations outside the permitted range act as triggers for reallocating assets to ensure adherence to targeted weights.

### **Program Administration and Manager Structure**

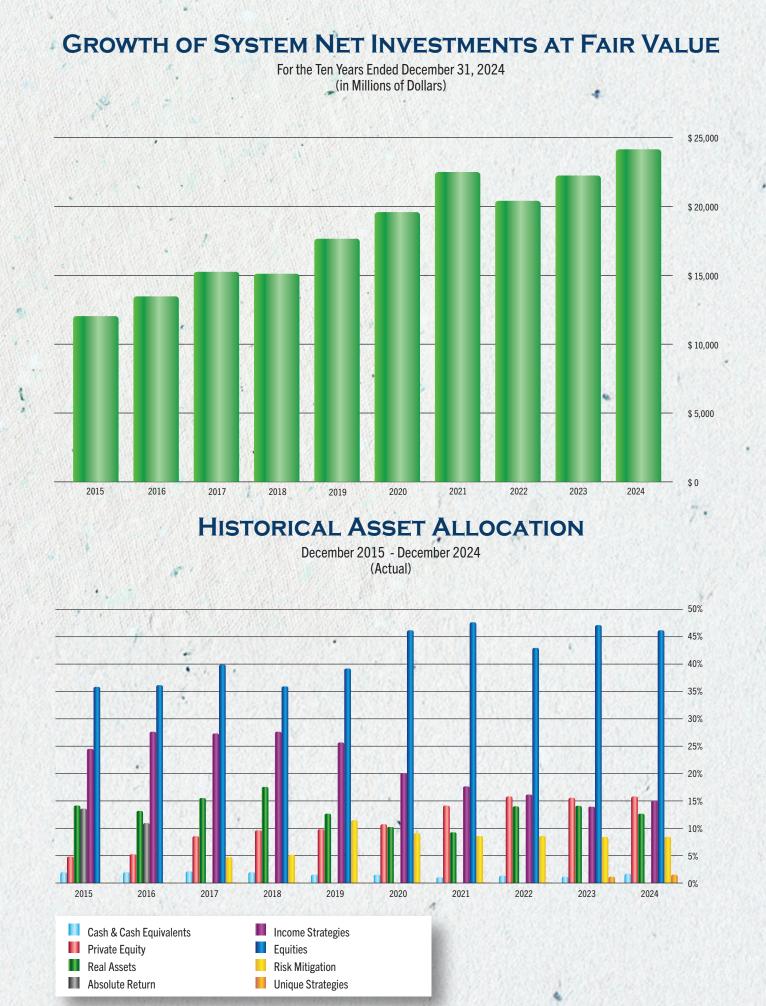
For each major asset class, the System shall diversify assets by employing managers with demonstrated skill in their particular areas of expertise. The System will retain managers who utilize varied investment approaches and allocate assets in a manner that is consistent with the overall investment plan. For example, the sum of all domestic equity managers should exhibit characteristics that are similar, but not necessarily identical, to the overall equity market. When asset fluctuation causes the asset class to exhibit characteristics that are dissimilar from the plan, staff shall direct cash flows to or from the various managers so that actual characteristics are consistent with the plan.

### **Use of Proxies**

OCERS utilizes the services of Institutional Shareholder Services (ISS) to vote public equity proxies on OCERS' behalf. ISS is solely responsible for voting all proxies for securities, consistent with the ISS Benchmark Policy, as approved by the Investment Committee. If the ISS Benchmark Policy does not contain recommended voting guidelines for the subject of the proxy vote, ISS will contact OCERS for guidance prior to casting the vote to ensure proxy votes are in accordance with OCERS' guidelines to protect and enhance returns on behalf of plan participants.



\* For financial reporting purposes, the Short-Term Investment Fund (STIF) is reported in the financial statements as a cash equivalent. OCERS investment policy includes the STIF in the Global Public Equity allocation.

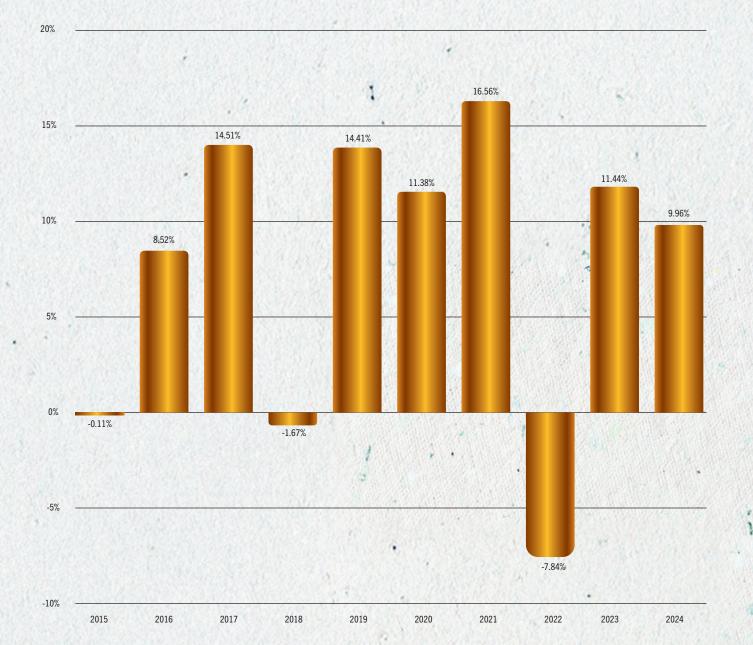


88

SECTION 3 : INVESTMENTS

**HISTORY OF PERFORMANCE - NET** 

 December 2015 - December 2024 (Actual)



As of 2016, all History of Performance rates of returns have been recalculated from the prior years reporting to report net of all fees. In prior years, the rates of returns in the above schedule included indirect or at source fees, but excluded other direct fees.

### SCHEDULE OF LARGEST EQUITY HOLDINGS

(by Fair Value)<sup>1, 2</sup> As of December 31, 2024 (Amounts in Thousands)

Common Stock	Shares	Fair Value
SAFRAN SA	52	\$ 11,439
SAP SE	44	10,792
TOTALENERGIES SE	189	10,464
CURTISS WRIGHT CORP	26	9,268
NATWEST GROUP PLC	1691	8,515
LONDON STOCK EXCHANGE GROUP	57	8,051
ASTRAZENECA PLC	61	7,964
CRINETICS PHARMACEUTICALS IN	154	7,895
ASML HOLDING NV	11	7,857
ASTERA LABS INC	59	7,821

### SCHEDULE OF LARGEST FIXED INCOME HOLDINGS

(by Fair Value)<sup>1</sup>

As of December 31, 2024 (Amounts in Thousands)

Asset	CPN/ Maturity	Fair Value
FNMA TBA 30 YR 5.5	5.5%/02-15-2055	\$ 37,371
US TREASURY N/B	1.4%/12-31-2028	26,310
FNMA TBA 30 YR 4.5	4.5%/02-15-2055	21,811
US TREASURY N/B	1.4%/11-15-2031	21,593
FNMA TBA 30 YR 5	5.0%/01-15-2055	21,231
US TREASURY N/B	3.5%/02-15-2033	21,145
SWPCOMWQ7 CDS USD R F 1.00000	1.0% / 12-20-2029	18,402
FED HM LN PC POOL SD8244	4.0%/09-01-2052	17,922
US TREASURY N/B	1.3%/05-15-2050	17,916
FNMA TBA 30 YR 4	4.0%/02-13-2055	17,736

<sup>1</sup> A complete list of portfolio holdings is available for review at the OCERS' office.

<sup>2</sup> The holding schedules pertain to holdings of individual securities; they do not reflect OCERS' investments in commingled funds.

### SCHEDULE OF COMMISSIONS

•For the Year Ended December 31, 2024 (Amounts in Thousands)

Broker Name	Number of Shares Traded	Commission per Share (in cents)	Total Commission
BNP Paribas Securities	8,841	0.23	\$ 20
BofA Securities, Inc.	1,219	0.66	8
BTIG, LLC	529	2.27	12
Citigroup Global Markets, Inc.	2,035	0.84	17
Cowen and Company LLC	1,587	1.58	25
Credit Lyonnais Securities	943	0.74	7
Goldman Sachs	16,782	0.35	59
Instinet	8,536	0.47	40
J.P. Morgan Securities	11,678	0.39	45
Jefferies	3,788	1.08	41
Liquidnet	1,295	1.78	23
Merrill Lynch	14,987	0.27	41
Morgan Stanley & Company, Inc.	18,823	0.24	45
Penserra Securities	5,688	1.02	58
Piper Jaffray & Co.	775	3.23	25
RBC	759	1.98	15
Baird	1,535	1.43	22
Stifel Nicolaus	4,859	1.28	62
UBS	8,294	0.36	30
Virtu	1,528	1.57	24
Other*	<u> </u>	1.88	177
Total	<u>123,920</u>	0.64	<u>\$796</u>

\* Other includes 113 additional firms that comprise approximately 22% of total commissions and approximately 8% of the total number of shares traded. The average commission per share is 1.88 cents.

### **COMMISSION RECAPTURE PROGRAM**

OCERS implemented a direct brokerage program where investment managers can trade with specific brokerage firms for the purpose of reducing trading commissions. The brokerage firms utilized for these services are Abel Noser, Capital Institutional Services, Cowen Execution Services Limited, and State Street Bank.

### SCHEDULE OF INVESTMENT EXPENSES AND INVESTMENT SUMMARY

For the Year Ended December 31, 2024 (Dollars in Thousands)

Type of Investment Expenses	Assets Under Management at Fair Value	Percentage	Fees
Investment Management Fees*			
Investments at Fair Value:			
Global Public Equity	\$ 10,145,710	41%	\$ 18,297
Income Strategies	3,828,089	16%	18,838
Real Assets	3,053,551	12%	44,040
Private Equity	4,079,878	16%	45,184
Risk Mitigation	1,875,533	8%	10,085
Unique Strategies	203,787	1%	5,295
Total Investments at Fair Value	23,186,548		141,739
Short-Term Investments	28,909	6%	111
Total Investment Management Fees	<u>\$ 23,215,457</u>	100%	141,850
Other Fund Expenses <sup>1</sup>			38,232
Other Investment Expenses			
Consulting/Research Fees			2,361
Investment Department Expenses			4,326
Legal Services			429
Custodian Services			580
Investment Service Providers			44
Total Other Investment Expenses			7,740
Securities Lending Activity			
Securities Lending Fees			188
Rebate Fees			10,912
Total Securities Lending Activity			11,100
Custodial Fund - OCTA Investment Fees and Expenses			3
Total Investment Expenses			\$ 198,925

\* Does not include undisclosed fees deducted at source.

<sup>1</sup> These costs include, but are not limited to, foreign income tax and other indirect flow-through investment expenses such as organizational expenses in limited partnership structures.

### LIST OF INVESTMENT MANAGERS

As of December 31, 2024

#### Cash Overlay

Parametric

#### **Income Strategies**

**Ares Management Bayview Asset Management, LLC** BlackRock Institutional Trust Company **CBC** Group Dodge & Cox Longfellow Investment Management Co., LLC Pacific Investment Management Company Schroders Alcentra Arcmont Asset Management **Beach Point Capital Management Blue Owl Capital** Crayhill **Cross Ocean Partners CarVal Investors** Hayfin Capital Management HPS Loomis, Sayles & Company, L.P. Monroe Capital **NXT** Capital **OCP** Asia **Pathlight Capital** Silver Rock Financial **Strategic Value Partners** 

#### **Global Public Equity**

Wellington Trust Company, NA

Acadian Asset Management AQR Capital Management, LLC Artisan Partners Driehaus Capital Management BlackRock Institutional Trust Company Capital Group City of London Fidelity Institutional Asset Management GQG Partners Harris Associates Parametric Systematic Financial Management William Blair & Co.

#### **Private Equity**

Abbott Capital Accel-KKR Adams Street Partners, LLC. Advent International Corporation Alcentra Altaris Partners

#### Private Equity (continued)

Altor Fund Manager AB **American Industrial Partners Archimed Group Battery Ventures CBC** Group Cinven **Clearlake Capital Partners DBL** Partners **EQT** Partners **FSN** Capital **General Catalyst** Genstar Capital **GGV** Capital **Greenoaks Capital Partners** H.I.G. Capital HarbourVest Partners, LLC Harvest Partners HealthQuest Capital Management Hellman & Friedman Capital Partners Hg **Insight Partners** Investindustrial Mayfield **Mesirow Financial** Monroe Capital NEA **Nordic Capital** Oak HC/FT **One Rock Capital Partners OCP** Asia **Orchid Asia Group PAI** Partners **Pantheon Ventures** Park Square Capital Spark Capital **Stellex Capital Partners** Stone Point Capital Thoma Bravo, LLC TPG **Vista Equity Partners** Vitruvian Partners WestCap

#### **Real Assets**

AEW Capital Management Almanac Realty Investors Argo Infrastructure Partners Asana Partners BlackRock Institutional Trust Company Blackstone Brigade

#### Real Assets (continued)

Cerberus Institutional Real Estate GP **Clarion Partners** Cortland DigitalBridge EnCap EnerVest, Ltd **EQT** Partners **Global Infrastructure Partners** Grain Management **I** Squared Capital Jamestown Kayne Anderson Capital Advisors LBA Logistics LS Power Manulife Investment Management Morgan Stanley **Oaktree Capital Management Principal Financial Group Quantum Energy Partners** Stonepeak Infrastructure Partners **TPG Real Estate True North Management Group** Warwick Group Waterton Associates Westbrook Partners

#### **Risk Mitigation**

Alpha Simplex Group, LLC Alpstone Capital AQR Capital Management, LLC Brevan Howard - DG Partners BlackRock Institutional Trust Company Graham Capital Management, L.P. Pacific Investment Management Company Systematica Investments Two Sigma Investments

#### **Unique Strategies**

Blackstone Capital Constellation Collective Global Management TCG Crossover Management Waterfront Capital Partners



### **Anaheim Canyon Station**

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- Where Planning Shapes the Future

Opened in 1996, Anaheim Canyon Station serves as a symbol of long-term vision and calculated growth. Positioned near industrial corridors and framed by efficiency, it mirrors the intent behind actuarial analysis: to prepare, protect, and plan. Just as OCERS relies on actuarial discipline to ensure stability for generations, this stop reminds us that foresight is the foundation of resilience.

Anaheim Canyon Station

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### 🔆 Segal

180 Howard Street Suite 1100 San Francisco, CA 94105-6147 T 415.263.8200 segalco.com

May 5, 2025

Board of Retirement Orange County Employees Retirement System 2223 Wellington Avenue Santa Ana, CA 92701-3101

#### Re: Orange County Employees Retirement System (OCERS) Certification for Pension Plan as of December 31, 2023

Dear Members of the Board and Retirement System:

Segal prepared the December 31, 2023 annual actuarial valuation of the Orange County Employees Retirement System (OCERS or System). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and OCERS' funding policy that was last reviewed and adopted by the Board in 2014 (reaffirmed in 2018 and revised with some non-substantive changes in 2022) and modified in 2024 to indicate that the Board may exercise discretion in determining whether to delay or change contribution rates immediately when there is a plan amendment. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs). A discussion of the assumptions and methods used in the separate December 31, 2024 actuarial valuation for financial reporting purposes under Governmental Accounting Standards Board (GASB) Statement No. 67 is presented at the end of this letter.

# December 31, 2023 actuarial valuation for funding purposes

Actuarial valuations are performed on an annual basis with the last valuation completed as of December 31, 2023. The actuarial calculations presented in the valuation report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for statutory retirement benefits.

The December 31, 2023 actuarial valuation is based on the plan of benefits verified by OCERS and on participant and financial data provided by OCERS. Segal conducted an examination of all participant data for reasonableness and we concluded that it was reasonable and consistent with the prior year's data. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report.

We did not audit the System's financial statements. For actuarial valuation purposes, Plan assets are valued at actuarial value. Under this method, the assets used to determine employer

(Continued)

Board of Retirement Orange County Employees Retirement System May 5, 2025 Page 2

contribution rates take into account fair value by recognizing the differences between the actual and expected return on fair value over a five-year period. The development of the actuarial value as of December 31, 2023 is provided in the *Development of actuarial and valuation value of assets*.

One funding objective of the Plan is to establish contribution rates, which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the entry age cost method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL). One of the funding objectives of the System is to reduce that UAAL to zero over a declining period. Effective December 31, 2013, the outstanding balance of the UAAL from the December 31, 2012 valuation was combined and reamortized over a declining 20-year period. Any changes in UAAL due to actuarial gains or losses or due to changes in assumptions or methods will be amortized over separate 20-year periods. Any changes in UAAL due to plan amendments will be amortized over separate 15-year periods and any change in UAAL due to early retirement incentive programs will be amortized over a separate period of up to five years. The progress being made toward the realization of the funding objectives through December 31, 2023 is illustrated in the *Schedule of funding progress*.

Segal prepared all of the supporting schedules in the actuarial section of the System's Annual Comprehensive Financial Report (ACFR) based on the results of the December 31, 2023 actuarial valuation for funding purposes. A listing of the supporting schedules related to the statutory retirement plan benefits that Segal prepared for inclusion in the actuarial section of the System's ACFR is provided below. OCERS' staff prepared the remaining trend data schedules in the statistical section.

# Actuarial section (based on December 31, 2023 actuarial valuation for funding purposes)

- 1. Schedule of funding progress
- 2. History of employer contribution rates
- 3. Summary of active membership
- 4. Summary of retired membership
- 5. Development of actuarial and valuation value of assets
- 6. Schedule of funded liabilities by type
- 7. Actuarial methods and assumptions
- 8. Summary of major plan provisions
- 9. Experience analysis

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Board of Retirement Orange County Employees Retirement System May 5, 2025 Page 3

The valuation assumptions used in this valuation were included in the Actuarial Section. The results of this valuation were prepared using the actuarial assumptions and methods developed in the triennial actuarial experience study as of December 31, 2022. All of the assumptions recommended in the study were adopted by the Board.\* Actuarial valuations are performed on an annual basis and the experience analysis is performed every three years. The next experience analysis is due to be performed as of December 31, 2025 and any changes in assumptions will be reflected in the December 31, 2026 valuation.

In the December 31, 2023 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities increased from 81.5% to 82.6%. The aggregate employer rate (average of the County and all special districts rates combined) has changed from 38.30% of payroll to 38.09% of payroll. The aggregate member's rate has changed from 11.84% of payroll to 11.74% of payroll.

In the December 31, 2023 valuation, the actuarial value of assets excluded \$500.0 million in unrecognized investment losses, which represented 2.3% of the fair value of assets. If these deferred investment losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 82.6% to 80.8% and the aggregate employer contribution rate, expressed as a percent of payroll would increase from 38.1% to 39.8%.

To the best of our knowledge, the December 31, 2023 funding valuation report is complete and accurate and, in our opinion, presents the Plan's current funding information.

# December 31, 2024 GASB Statement 67 actuarial valuation for financial reporting purposes

Segal prepared the December 31, 2024 GASB Statement 67 actuarial valuation for financial reporting purposes. The valuation was performed in order to comply with GASB Statement 67 and we certify that the assumptions and methods used for financial reporting purposes meet the parameters set by ASOPs and our understanding of generally accepted accounting principles (GAAP) applicable in the United States of America as promulgated by GASB. The GASB rules only redefine pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes.

When measuring pension liability, GASB uses the same actuarial cost method (entry age method) and the same type of discount rate (expected return on assets) as OCERS uses for funding. The Net Pension Liabilities (NPLs) measured as of December 31, 2024 and December 31, 2023 have been determined by rolling forward the Total Pension Liabilities (TPLs) for the statutory Retirement Plan benefits as of December 31, 2023 and December 31, 2022, respectively. In addition, any changes in actuarial assumptions or plan provisions that occurred between the valuation date and the measurement date have been reflected.

\* The Board decided to defer the change in the allocation of normal cost associated with providing COLA benefits for legacy Safety members with 30 or more years of service until after OCERS has the opportunity to fully vet the impact of the change.

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(Continued)

Board of Retirement Orange County Employees Retirement System May 5, 2025 Page 4

Note number 8 to the Basic Financial Statements and the Required Supplementary Information included in the Financial Section of the ACFR was prepared by the System based on the results of the GASB Statement No. 67 actuarial valuation as of December 31, 2024 prepared by Segal.

The undersigned are Members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

Sincerely,

Tango

Todd Tauzer, CERA, FCA. FSA, MAAA Senior Vice President and Actuary

Molly Calcagno

Molly Calcagno, ASA, EA, MAAA Senior Actuary

JY/elf Attachments

Andy Very

Andy Yeung, ASA, EA, FCA, MAAA Vice President & Actuary

#### Disclaimer

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### SCHEDULE OF FUNDING PROGRESS

(Dollars in Thousands)

Valuation Date	Actuarial Accrued Liability	Valuation Value of Assets	Unfunded Actuarial Accrued Liability	Ratio of Assets to Actuarial Accrued Liability	Projected Covered Payroll	Ratio of Unfunded Actuarial Accrued Liability to Projected Covered Payroll
12/31/14	\$ 16,413,124	\$ 11,449,911	\$ 4,963,213	69.76%	\$ 1,648,160	301.14%
12/31/15	17,050,357	12,228,009	4,822,348	71.72%	1,633,112	295.29%
12/31/16	17,933,461	13,102,978	4,830,483	73.06%	1,759,831	274.49%
12/31/17	19,635,427	14,197,125	5,438,302	72.30%	1,811,877	300.15%
12/31/18	20,703,349	14,994,420	5,708,929	72.43%	1,875,370	304.42%
12/31/19	21,916,730	16,036,869	5,879,861	73.17%	1,952,534	301.14%
12/31/20	22,904,975	17,525,117	5,379,858	76.51%	1,962,869	274.08%
12/31/21	24,016,073	19,488,761	4,527,312	81.15%	2,052,706	220.55%
12/31/22	25,386,669	20,691,659	4,695,010	81.51%	2,124,678	220.98%
12/31/23	26,788,041	22,135,285	4,652,756	82.63%	2,277,976	204.25%

The Schedule of employer contributions in the Required Supplemental Information (RSI) included in the Financial Section were prepared by the System based on the results of the GASB 67 actuarial valuation prepared by Segal.

### Notes:

#### The December 31, 2023 valuation included the following change:

- Assumption Changes: Changes in mortality, disability, termination, retirement, salary scale, and additional cash-out assumptions in the December 31, 2022 triennial experience study increased the UAAL by \$145 million.

- **Method Changes:** Refinements included an improvement in reflecting the timing of decrements in calculating the total normal cost rate for each plan, and using the individual (instead of the aggregate) version of the entry age actuarial cost method to determine the normal cost of the COLA benefits.

• The December 31, 2022 valuation included the following benefit change:

- O.C. Superior Court adopted Plan U for CalPEPRA member service earned effective July 1, 2023.

- There were no assumption or plan changes in the December 31, 2021 valuation.
- The December 31, 2020 valuation included the following changes: Assumption Changes:

### SCHEDULE OF FUNDING PROGRESS

(continued)

Changes in inflation, mortality, disability, termination, retirement, salary scale, and additional cash-out assumptions in the December 31, 2019 triennial experience study increased the UAAL by \$24 million.

#### Method Change:

A refinement to the Entry Age actuarial cost method was made. Before the refinement, Entry Age was calculated as the age of the member as of the valuation date minus years of employment, including non-OCERS reciprocal employers. After the refinement, only years of employment with OCERS employers are used.

#### **Other Change:**

The actual COLA granted by OCERS for the upcoming April 1st was reflected in the valuation.

- There were no assumption or plan changes in the December 31, 2019 valuation.
- There were no assumptions or plan changes in the December 31, 2018 valuation.
- The December 31, 2017 valuation included the following assumptions changes:

Changes in investment return, inflation, mortality, disability, termination, retirement, salary scale, and additional cash-out assumptions in the December 31, 2016 triennial experience study increased the UAAL by \$854 million.

#### The December 31, 2016 valuation included the following change:

0.C. Law Library was separated from 0.C. Sanitation District in Rate Group #3 and put into their own Rate Group (Rate Group #12) after the valuation as of December 31, 2015.

#### • The December 31, 2015 valuation included the following benefit changes:

City of San Juan Capistrano adopted an optional 1.62% of final average salary at age 65 for members hired on or after July 1, 2016.

Effective January 1, 2015, new OCTA members were placed in CalPEPRA Plan U (2.50% of final average salary at age 67).

#### The December 31, 2014 valuation included the following changes:

#### **Assumption Changes:**

Changes in inflation, mortality, disability, termination, retirement, salary scale, and additional cashout assumptions in the December 31, 2013 triennial experience study decreased the UAAL by \$122 million.

#### **Method Change:**

The cashout assumptions are now used in developing basic member contribution rates for employees in the legacy plans (impact is only on Normal Cost).

### SCHEDULE OF FUNDING PROGRESS

(continued)

The assets exclude amounts in the County Investment Account and prepaid employer contributions. For years ending December 31, 2016, December 31, 2017, December 31, 2019, December 31, 2020, December 31, 2021, December 31, 2022 and December 31, 2023 the assets also exclude amounts in the O.C. Sanitation District UAAL Deferred Account.

	Amount Excluded from Assets			
Valuation Date	County Investment Account	Prepaid Employer Contributions	O.C. Sanitation District UAAL Deferred Account	
12/31/14	\$ 109,103,000	\$ 207,829,000	\$-	
12/31/15	108,789,000	227,166,000	-	
12/31/16	117,723,000	222,524,000	34,067,000	
12/31/17	134,417,000	244,552,000	14,871,000	
12/31/18	131,890,000	246,133,000		
12/31/19	150,416,000	259,285,000	12,057,000	
12/31/20	160,378,000	293,948,000	13,433,000	
12/31/21	167,745,000	304,504,000	15,643,000	
12/31/22	140,992,000	320,009,000	14,398,000	
12/31/23	146,110,000	38,502,000	16,025,000	

For informational purposes only, we have also developed the funded ratio determined using the historical fair value of assets after adjustment for amounts in the County Investment Account, prepaid employer contributions, amounts in the O.C. Sanitation District UAAL Deferred Account, unclaimed member reserve and Medicare Medical Insurance Reserve.

Valuation Date	Funded Ratio based on Net Fair Value of Assets
12/31/14	69.63%
12/31/15	67.73%
12/31/16	70.58%
12/31/17	74.62%
12/31/18	69.31%
12/31/19	75.36%
12/31/20	80.74%
12/31/21	90.52%
12/31/22	76.95%
12/31/23	80.76%

Employer Contribution Rate (% of pay)

Valuation Date	(Non	neral -OCTA, OCSD)	(1.62	neral % @ 65, -OCTA)		neral 6 @ 55)		eneral % @ 57)		eneral ICTA)	(2.5)	neral % @ 55, CSD)
12/31/14 With 3-Year	NC UAAL <sup>1</sup> Total	9.67% <u>8.62</u> <b>18.29%</b> N/A	NC UAAL Total	5.49% 21.72 <b>27.21%</b> N/A	NC UAAL Total	13.22% 21.72 <b>34.94%</b> N/A	NC UAAL Total	10.54% 21.72 <b>32.26%</b> N/A	NC UAAL <b>Total</b>	10.78% 14.40 <b>25.18%</b> N/A	NC UAAL <sup>2</sup> Total	12.40% <u>6.26</u> <b>18.66%</b> N/A
Phase-In 12/31/15 With 3-Year Phase-In	NC UAAL <sup>3</sup> Total	9.58% 9.22 <b>18.80%</b> N/A	NC <u>UAAL</u> Total	5.46% 22.45 27.91% N/A	NC <u>UAAL</u> Total	13.19% 22.45 <b>35.64%</b> N/A	NC UAAL Total	11.40% 22.45 <b>33.85%</b> N/A	NC UAAL Total	10.70% 15.52 <b>26.22%</b> N/A	NC UAAL <sup>4</sup> Total	12.33% <u>1.42</u> 13.75% N/A
12/31/16	NC	9.51%	NC	5.53%	NC	13.19%	NC	10.35%	NC	10.76%	NC	12.28%
	UAAL <sup>6</sup>	7.25	<u>UAAL</u>	21.72	<u>UAAL<sup>7</sup></u>	21.72	<u>UAAL</u>	21.72	<u>UAAL</u>	14.76	<u>UAAL</u>	0.00
	Total	<b>16.76%</b>	Total	<b>27.25%</b>	Total	<b>34.91</b> %	Total	<b>32.07</b> %	Total	<b>25.52%</b>	Total	<b>12.28</b> %
12/31/17 With 3-Year Phase-In	NC <u>UAAL<sup>9</sup></u> Total	10.73% 9.58 <b>20.31%</b> <b>18.62%</b>	NC <u>UAAL</u> Total	6.21% 25.05 <b>31.26%</b> <b>28.88</b> %	NC UAAL <sup>10</sup> Total	14.39% 25.05 <b>39.44%</b> <b>37.06%</b>	NC <u>UAAL</u> Total	11.51% 25.05 <b>36.56%</b> <b>34.18%</b>	NC <u>UAAL</u> Total	12.10% 18.26 <b>30.36%</b> <b>28.04%</b>	NC <u>UAAL</u> Total	13.30% 0.00 13.30% N/A
12/31/18 With 3-Year Phase-In	NC UAAL <sup>11</sup> Total	10.73% 9.40 <b>20.13%</b> <b>19.28%</b>	NC <u>UAAL</u> Total	6.23% 26.24 <b>32.47%</b> <b>31.28%</b>	NC UAAL <sup>12</sup> Total	14.36% 26.24 <b>40.60%</b> <b>39.41%</b>	NC <u>UAAL</u> Total	12.13% 26.24 <b>38.37%</b> <b>37.18%</b>	NC <u>UAAL</u> Total	12.03% 19.76 <b>31.79%</b> <b>30.63</b> %	NC UAAL <sup>13</sup> Total	13.24% 0.86 <b>14.10%</b> N/A
12/31/19	NC	10.68%	NC	6.10%	NC	14.34%	NC	12.61%	NC	11.97%	NC	13.22%
	UAAL <sup>15</sup>	5.16	<u>UAAL</u>	27.38	UAAL <sup>16</sup>	27.38	<u>UAAL</u>	27.38	<u>UAAL</u>	19.54	<u>UAAL</u>	0.00
	Total	<b>15.84%</b>	Total	<b>33.48</b> %	Total	<b>41.72%</b>	Total	<b>39.99%</b>	Total	<b>31.51</b> %	Total	<b>13.22%</b>
12/31/20	NC	10.38%	NC	6.26%	NC	14.69%	NC	16.45%	NC	12.59%	NC	13.46%
	UAAL <sup>15</sup>	5.03	<u>UAAL</u>	28.97	UAAL <sup>17</sup>	28.97	UAAL	28.97	UAAL	19.12	UAAL	0.00
	Total	<b>15.41%</b>	Total	<b>35.23</b> %	Total	<b>43.66%</b>	Total	<b>45.42</b> %	<b>Total</b>	<b>31.71%</b>	Total	<b>13.46</b> %
12/31/21	NC	10.42%	NC	6.22%	NC	14.67%	NC	16.61%	NC	12.54%	NC	13.47%
	UAAL <sup>15</sup>	<u>3.33</u>	<u>UAAL</u>	26.14	<u>UAAL<sup>18</sup></u>	26.14	<u>UAAL</u>	26.14	<u>UAAL</u>	16.37	<u>UAAL</u>	0.00
	Total	<b>13.75%</b>	Total	<b>32.36</b> %	Total	<b>40.81%</b>	Total	<b>42.75</b> %	Total	<b>28.91</b> %	Total	<b>13.47%</b>
12/31/22	NC	10.26%	NC	6.17%	NC	14.57%	NC	15.97%	NC	12.32%	NC	13.36%
	<u>UAAL<sup>15</sup></u>	<u>3.61</u>	<u>UAAL</u>	27.14	<u>UAAL<sup>20</sup></u>	27.14	<u>UAAL</u>	27.14	<u>UAAL</u>	18.11	<u>UAAL</u>	0.00
	Total	<b>13.87%</b>	Total	<b>33.31</b> %	Total	<b>41.71%</b>	Total	<b>43.11%</b>	Total	<b>30.43</b> %	Total	<b>13.36</b> %
12/31/23	NC	10.39%	NC	6.54%	NC	15.29%	NC	16.79%	NC	12.60%	NC	14.05%
	UAAL <sup>15</sup>	2.93	<u>UAAL</u>	26.78	<u>UAAL<sup>21</sup></u>	26.78	<u>UAAL</u>	26.78	<u>UAAL</u>	18.31	<u>UAAL</u>	0.00
	Total	<b>13.32%</b>	Total	<b>33.32%</b>	Total	<b>42.07%</b>	Total	<b>43.57%</b>	Total	<b>30.91%</b>	Total	<b>14.05</b> %

(continued)

**Employer Contribution Rate (% of pay)** 

Valuation Date	Gen (1.64% OC:	s @ 57,	(2.0%	neral 5 @ 55, CA)	(2.0%) Cen	neral % @ 55, netery, service)	(2.7)	meral % @ 55, CFA)	(2.0	eneral % @ 55, CFA)	(2.5)	neral % @ 55, Library)
12/31/14 With 3-Year Phase-In	NC UAAL <sup>2</sup> Total	10.30% 6.26 <b>16.56%</b> N/A	NC UAAL <b>Total</b>	13.59% 12.78 <b>26.37%</b> N/A	NC UAAL <b>Total</b>	11.79% 0.00 <b>11.79%</b> N/A	NC UAAL <b>Total</b>	13.53% 20.28 <b>33.81%</b> N/A	NC UAAL <b>Total</b>	12.47% 20.28 <b>32.75%</b> N/A	NC <u>UAAL</u> Total	12.40% 20.21 <b>32.61%</b> N/A
12/31/15 With 3-Year Phase-In	NC UAAL <sup>4</sup> Total	10.30% 1.42 <b>11.72%</b> N/A	NC <u>UAAL</u> Total	13.44% 13.79 <b>27.23%</b> N/A	NC <u>UAAL</u> Total	11.33% 0.00 <b>11.33%</b> N/A	NC <u>UAAL</u> Total	13.44% 20.53 <b>33.97%</b> N/A	NC <u>UAAL</u> Total	12.72% 20.53 <b>33.25%</b> N/A	NC <u>UAAL⁵</u> Total	12.33% 22.08 <b>34.41%</b> N/A
12/31/16	NC	10.21%	NC	13.30%	NC	11.09%	NC	13.61%	NC	12.64%	NC	13.32%
	<u>UAAL</u>	0.00	<u>UAAL</u>	11.46	<u>UAAL</u>	0.00	<u>UAAL</u>	18.35	<u>UAAL</u>	18.35	<u>UAAL<sup>®</sup></u>	9.69
	Total	<b>10.21%</b>	Total	<b>24.76</b> %	Total	<b>11.09%</b>	Total	<b>31.96%</b>	Total	<b>30.99%</b>	Total	<b>23.01%</b>
12/31/17 With 3-Year Phase-In	NC UAAL Total	11.25% 0.00 <b>11.25%</b> N/A	NC <u>UAAL</u> Total	14.51% 12.74 <b>27.25%</b> <b>26.00%</b>	NC <u>UAAL</u> Total	11.98% 1.44 <b>13.42%</b> <b>12.46%</b>	NC <u>UAAL</u> Total	14.72% 17.62 <b>32.34%</b> <b>30.46%</b>	NC <u>UAAL</u> Total	13.46% 17.62 <b>31.08%</b> <b>29.20%</b>	NC <u>UAAL</u> Total	14.11% 0.00 14.11% N/A
12/31/18 With 3-Year Phase-In	NC UAAL <sup>13</sup> Total	11.11% 0.86 <b>11.97%</b> N/A	NC UAAL <sup>14</sup> Total	14.51% 15.29 <b>29.80%</b> <b>29.17%</b>	NC <u>UAAL</u> Total	12.05% 0.22 <b>12.27%</b> <b>12.05%</b>	NC <u>UAAL</u> Total	14.71% 15.90 <b>30.61%</b> <b>29.67%</b>	NC <u>UAAL</u> Total	13.50% 15.90 <b>29.40%</b> <b>28.46</b> %	NC <u>UAAL</u> Total	14.28% 1.77 16.05% N/A
12/31/19	NC	11.23%	NC	14.23%	NC	11.62%	NC	14.75%	NC	13.68%	NC	14.20%
	UAAL	0.00	UAAL	0.39	UAAL	3.01	UAAL	14.06	UAAL	14.06	UAAL	0.19
	Total	<b>11.23</b> %	Total	<b>14.62%</b>	Total	<b>14.63%</b>	Total	<b>28.81</b> %	<b>Total</b>	<b>27.74</b> %	Total	<b>14.39%</b>
12/31/20	NC	13.25%	NC	14.95%	NC	12.83%	NC	15.22%	NC	16.83%	NC	13.88%
	<u>UAAL</u>	0.00	<u>UAAL</u>	0.00	<u>UAAL</u>	2.85	<u>UAAL</u>	11.49	<u>UAAL</u>	11.49	<u>UAAL</u>	0.00
	Total	<b>13.25</b> %	Total	<b>14.95%</b>	Total	<b>15.68</b> %	Total	<b>26.71%</b>	Total	<b>28.32</b> %	Total	<b>13.88</b> %
12/31/21	NC	13.09%	NC	14.89%	NC	12.71%	NC	15.25%	NC	16.98%	NC	13.79%
	<u>UAAL</u>	0.00	<u>UAAL</u>	0.00	<u>UAAL</u>	1.02	<u>UAAL</u>	9.37	<u>UAAL</u>	9.37	<u>UAAL</u>	0.00
	Total	<b>13.09</b> %	Total	<b>14.89%</b>	Total	<b>13.73%</b>	Total	<b>24.62%</b>	Total	<b>26.35</b> %	Total	<b>13.79%</b>
12/31/22	NC	12.81%	NC	13.95%	NC	12.67%	NC	14.99%	NC	17.22%	NC	13.49%
	<u>UAAL</u>	0.00	<u>UAAL</u>	0.00	<u>UAAL</u>	2.45	<u>UAAL</u>	10.50	<u>UAAL</u>	10.50	<u>UAAL</u>	0.00
	Total	<b>12.81</b> %	Total	<b>13.95%</b>	Total	<b>15.12%</b>	Total	<b>25.49%</b>	Total	<b>27.72%</b>	Total	<b>13.49%</b>
12/31/23	NC	13.09%	NC	16.17%	NC	12.88%	NC	15.56%	NC	17.88%	NC	14.54%
	UAAL	0.00	UAAL	0.00	<u>UAAL</u>	1.57	<u>UAAL</u>	10.51	<u>UAAL</u>	10.51	<u>UAAL</u>	0.00
	<b>Total</b>	<b>13.09%</b>	Total	<b>16.17%</b>	Total	<b>14.45%</b>	Total	<b>26.07%</b>	Total	<b>28.39</b> %	Total	<b>14.54%</b>

(continued)

**Employer Contribution Rate (% of pay)** 

Valuation Date	L Enfoi	afety Law rcement @ 50)	Enfo	afety Law rcement 6 @ 55)	Fire /	afety Authority 6 @ 50)	Fire <i>I</i>	afety Authority 6 @ 55)		afety bation
12/31/14 With 3-Year Phase-In	NC <u>UAAL</u> Total	25.79% 37.46 <b>63.25%</b> <b>58.92%</b>	NC <u>UAAL</u> Total	23.55% 37.46 <b>61.01%</b> <b>56.88</b> %	NC <u>UAAL</u> Total	27.05% 24.42 <b>51.47%</b> <b>48.60%</b>	NC <u>UAAL</u> Total	22.38% 24.42 <b>46.80%</b> <b>43.93%</b>	NC <u>UAAL</u> Total	22.17% 25.01 <b>47.18%</b> <b>42.84%</b>
12/31/15 With 3-Year Phase-In	NC <u>UAAL</u> Total	25.56% 39.16 <b>64.72%</b> <b>62.55%</b>	NC <u>UAAL</u> Total	23.24% 39.16 <b>62.40%</b> <b>60.34%</b>	NC <u>UAAL</u> Total	26.87% 23.81 <b>50.68%</b> <b>49.24%</b>	NC <u>UAAL</u> Total	22.10% 23.81 <b>45.91%</b> <b>44.47%</b>	NC <u>UAAL</u> Total	21.92% 25.32 <b>47.24%</b> <b>45.07%</b>
12/31/16	NC	25.63%	NC	23.00%	NC	26.84%	NC	21.86%	NC	21.87%
	<u>UAAL</u>	38.19	<u>UAAL</u>	38.19	<u>UAAL</u>	22.27	<u>UAAL</u>	22.27	<u>UAAL</u>	26.06
	Total	<b>63.82%</b>	Total	<b>61.19%</b>	Total	<b>49.11%</b>	Total	<b>44.13%</b>	Total	<b>47.93%</b>
12/31/17 With 3-Year Phase-In	NC <u>UAAL</u> Total	26.69% 41.07 <b>67.76%</b> <b>64.05%</b>	NC <u>UAAL</u> Total	23.69% 41.07 <b>64.76%</b> <b>61.05%</b>	NC <u>UAAL</u> Total	27.24% 23.09 <b>50.33%</b> <b>48.04%</b>	NC <u>UAAL</u> Total	21.97% 23.09 <b>45.06%</b> <b>42.77%</b>	NC <u>UAAL</u> Total	23.71% 33.00 <b>56.71%</b> <b>52.45%</b>
12/31/18 With 3-Year Phase-In	NC <u>UAAL</u> Total	26.64% 42.56 <b>69.20%</b> 67.35%	NC <u>UAAL</u> Total	23.48% 42.56 <b>66.04%</b> <b>64.19%</b>	NC <u>UAAL</u> Total	26.97% 24.99 <b>51.96%</b> <b>50.81%</b>	NC <u>UAAL</u> Total	21.83% 24.99 <b>46.82%</b> <b>45.67%</b>	NC <u>UAAL</u> Total	23.45% 34.41 <b>57.86%</b> <b>55.73%</b>
12/31/19	NC	26.57%	NC	23.58%	NC	27.48%	NC	25.77%	NC	23.25%
	<u>UAAL</u>	43.65	<u>UAAL</u>	43.65	<u>UAAL</u>	23.79	<u>UAAL</u>	23.79	<u>UAAL</u>	36.92
	Total	<b>70.22%</b>	Total	<b>67.23</b> %	Total	<b>51.27%</b>	Total	<b>49.56</b> %	Total	<b>60.17%</b>
12/31/20	NC	26.66%	NC	24.23%	NC	27.31%	NC	27.25%	NC	23.39%
	UAAL	39.73	<u>UAAL</u>	39.73	<u>UAAL</u>	16.36	<u>UAAL</u>	16.36	UAAL	34.06
	<b>Total</b>	<b>66.39</b> %	Total	<b>63.96%</b>	Total	<b>43.67</b> %	Total	<b>43.61</b> %	<b>Total</b>	<b>57.45</b> %
12/31/21	NC	26.62%	NC	24.74%	NC	27.09%	NC	26.65%	NC	23.16%
	<u>UAAL</u>	35.53	<u>UAAL</u>	35.53	<u>UAAL</u>	12.35	<u>UAAL</u>	12.35	<u>UAAL</u>	<u>30.55</u>
	Total	<b>62.15%</b>	Total	<b>60.27%</b>	Total	<b>39.44%</b>	Total	<b>39.00%</b>	Total	<b>53.71%</b>
12/31/22	NC	26.26%	NC	24.38%	NC	25.93%	NC	26.48%	NC	22.65%
	<u>UAAL</u>	37.86	<u>UAAL</u>	37.86	<u>UAAL</u>	12.96	<u>UAAL</u>	12.96	<u>UAAL</u>	36.48
	Total	<b>64.12%</b>	Total	<b>62.24%</b>	Total	<b>38.89%</b>	Total	<b>39.44</b> %	Total	<b>59.13</b> %
12/31/23	NC	26.65%	NC	23.84%	NC	25.38%	NC	26.38%	NC	23.81%
	UAAL	36.26	<u>UAAL</u>	36.26	<u>UAAL</u>	12.62	UAAL	12.62	<u>UAAL</u>	37.76
	Total	<b>62.91%</b>	Total	<b>60.10%</b>	Total	<b>38.00%</b>	<b>Total</b>	<b>39.00%</b>	Total	<b>61.57%</b>

105

(continued)

**Employer Contribution Rate (% of pay)** 

Valuation Date	Rate (	PEPRA Group #1 % @ 67	Rate ( 1.62	PEPRA Group #2 % @ 65 Ian T)	Rate G	EPRA roup #2 @ 67	Rate 1.62	PEPRA Group #2 2% @ 67 Ian W)	Rate (	PEPRA Group #3 % @ 67	Rate	PEPRA Group #5 % @ 67
12/31/14 With 3-Year Phase-In	NC <u>UAAL<sup>1</sup></u> Total	8.87% 8.62 <b>17.49%</b>	NC <u>UAAL</u> Total	6.61% 21.72 <b>28.33%</b>	NC UAAL Total	8.33% 21.72 <b>30.05%</b>		N/A	NC <u>UAAL<sup>2</sup></u> Total	9.00% 6.26 <b>15.26%</b>	NC <u>UAAL</u> Total	10.04% 14.40 <b>24.44</b> %
12/31/15 With 3-Year Phase-In	NC <u>UAAL<sup>3</sup></u> Total	N/A 8.92% 9.22 18.14%	NC <u>UAAL</u> Total	N/A 6.56% 22.45 <b>29.01%</b>	NC <u>UAAL</u> Total	N/A 8.35% 22.45 <b>30.80%</b>	NC <u>UAAL</u> Total	6.68% 22.45 <b>29.13%</b>	NC <u>UAAL<sup>4</sup></u> Total	N/A 9.25% 1.42 <b>10.67%</b>	NC <u>UAAL</u> Total	N/A 10.12% 15.52 25.64%
12/31/16	NC <u>UAAL<sup>6</sup></u> Total	N/A 8.63% 7.25 <b>15.88%</b>	NC <u>UAAL</u> Total	N/A 6.58% 21.72 28.30%	NC <u>UAAL<sup>7</sup></u> Total	N/A 8.28% 21.72 <b>30.00%</b>	NC UAAL <b>Total</b>	N/A 6.68% 21.72 28.40%	NC <u>UAAL</u> Total	N/A 9.27% 0.00 9.27%	NC <u>UAAL</u> Total	N/A 10.25% 14.76 25.01%
12/31/17 With 3-Year Phase-In	NC <u>UAAL<sup>9</sup></u> Total	9.93% 9.58 <b>19.51%</b> <b>17.82%</b>	NC <u>UAAL</u> Total	7.11% 25.05 <b>32.16%</b> <b>29.78%</b>	NC UAAL <sup>10</sup> Total	8.78% 25.05 <b>33.83%</b> <b>31.45%</b>	NC <u>UAAL</u> Total	8.56% 25.05 <b>33.61%</b> <b>31.23%</b>	NC <u>UAAL</u> Total	10.37% 0.00 <b>10.37%</b> N/A	NC <u>UAAL</u> Total	11.32% 18.26 <b>29.58%</b> <b>27.26</b> %
12/31/18 With 3-Year Phase-In	NC UAAL <sup>11</sup> Total	9.93% 9.40 <b>19.33%</b> <b>18.48%</b>	NC <u>UAAL</u> Total	7.12% 26.24 <b>33.36%</b> <b>32.17%</b>	NC UAAL <sup>12</sup> Total	8.78% 26.24 <b>35.02%</b> <b>33.83%</b>	NC <u>UAAL</u> Total	8.73% 26.24 <b>34.97%</b> <b>33.78%</b>	NC UAAL <sup>13</sup> Total	10.02% 0.86 <b>10.88%</b> N/A	NC <u>UAAL</u> Total	11.32% 19.76 <b>31.08%</b> <b>29.92%</b>
12/31/19	NC UAAL <sup>15</sup> Total	10.05% 5.16 <b>15.21%</b>	NC <u>UAAL</u> Total	7.14% 27.38 <b>34.52%</b>	NC UAAL <sup>16</sup> Total	8.81% 27.38 <b>36.19%</b>	NC <u>UAAL</u> Total	8.54% 27.38 <b>35.92%</b>	NC <u>UAAL</u> Total	9.88% 0.00 <b>9.88</b> %	NC <u>UAAL</u> Total	11.59% 19.54 <b>31.13</b> %
12/31/20	NC UAAL <sup>15</sup> Total	9.89% 5.03 <b>14.92</b> %	NC <u>UAAL</u> Total	7.06% 28.97 <b>36.03%</b>	NC UAAL <sup>17</sup> Total	8.37% 28.97 <b>37.34</b> %	NC UAAL <b>Total</b>	8.43% 28.97 <b>37.40%</b>	NC <u>UAAL</u> Total	9.86% 0.00 <b>9.86%</b>	NC UAAL <b>Total</b>	11.73% 19.12 <b>30.85</b> %
12/31/21	NC UAAL <sup>15</sup> Total	10.08% 3.33 <b>13.41%</b>	NC UAAL <sup>19</sup> Total	7.09% 26.14 <b>33.23%</b>	NC UAAL <sup>18, 19</sup> Total	9.17% 26.14 <b>35.31%</b>	NC <u>UAAL</u> Total	8.95% 26.14 <b>35.09%</b>	NC <u>UAAL</u> Total	9.82% 0.00 <b>9.82</b> %	NC UAAL <b>Total</b>	11.99% 16.37 <b>28.36</b> %
12/31/22	NC <u>UAAL<sup>15</sup></u> Total	10.03% 3.61 <b>13.64</b> %	NC <u>UAAL</u> Total	7.29% 27.14 <b>34.43%</b>	NC UAAL <sup>20</sup> Total	9.24% 27.14 <b>36.38%</b>	NC <u>UAAL</u> Total	7.82% 27.14 <b>34.96</b> %	NC <u>UAAL</u> Total	9.97% 0.00 <b>9.97%</b>	NC <u>UAAL</u> Total	11.89% 18.11 <b>30.00</b> %
12/31/23	NC <u>UAAL<sup>15</sup></u> Total	10.25% 2.93 <b>13.18%</b>	NC <u>UAAL</u> Total	7.34% 26.78 <b>34.12%</b>	NC UAAL <sup>21</sup> Total	9.15% 26.78 <b>35.93</b> %	NC <u>UAAL</u> Total	7.88% 26.78 <b>34.66</b> %	NC <u>UAAL</u> Total	9.95% 0.00 <b>9.95%</b>	NC <u>UAAL</u> Total	11.95% 18.31 <b>30.26</b> %

<sup>1</sup> The net UAAL contribution rates for County and O.C. IHSS Public Authority (i.e., excluding U.C.I and Department of Education) is 5.67% as of December 31, 2014. <sup>2</sup> This is the UAAL rate for O.C. Sanitation District for FY 16–17 before reflecting the additional UAAL contributions made during calendar year 2015.

<sup>3</sup> The net UAAL contribution rates for County and O.C. IHSS Public Authority (i.e., excluding U.C.I and Department of Education) is 5.57% as of December 31, 2015.

<sup>4</sup> This is the UAAL rate for 0.C. Sanitation District for FY 17–18 before reflecting the additional UAAL contributions made during calendar year 2016.

<sup>5</sup> This is the UAAL rate for Law Library for FY 17–18 before reflecting the additional UAAL contributions made during calendar year 2016.

<sup>6</sup> The net UAAL contribution rates for County and O.C. IHSS Public Authority (i.e., excluding U.C.I and Department of Education) is 4.18% as of December 31, 2016.

<sup>7</sup> This is the UAAL rate for O.C. Children and Families Commission for FY 18–19 before reflecting the additional UAAL contributions made during calendar year 2017.

<sup>8</sup> This is the UAAL rate for Law Library for FY 18–19 before reflecting the additional UAAL contributions made during calendar year 2017.

<sup>9</sup> The net UAAL contribution rates for County and O.C. IHSS Public Authority (i.e., excluding U.C.I., Department of Education and Cypress Recreation and Parks) is 6.09% (or 4.61% after the three-year phase-in) as of December 31, 2017.

<sup>10</sup>The net UAAL contribution rate for O.C. Children and Families Commission is 3.13% (or 1.04% after the three-year phase-in) as of December 31, 2017.

<sup>11</sup> The net UAAL contribution rates for County and O.C. IHSS Public Authority (i.e., excluding U.C.I., Department of Education and Cypress Recreation and Parks) is 5.80% (or 5.06% after the three-year phase-in) as of December 31, 2018.



(continued)

**Employer Contribution Rate (% of pay)** 

Valuation Date	Rate	PEPRA e Group #9 % @ 67	Rat	IPEPRA e Group #10 i% @ 67	Rat	IPEPRA e Group #11 i% @ 67	Rat	PEPRA e Group #12 % @ 67	Rat	IPEPRA e Group #6 '% @ 57	Rat	IPEPRA ce Group #7 1% @ 57	Rat	PEPRA e Group #8 % @ 57
12/31/14 With 3-Year Phase-In	NC <u>UAAL</u> Total	9.85% <u>12.78</u> <b>22.63%</b> N/A	NC <u>UAAL</u> Total	9.63% 20.28 <b>29.91%</b> N/A	NC <u>UAAL</u> Total	11.81% 0.00 <b>11.81%</b> N/A	NC <u>UAAL</u> Total	9.00% 20.21 <b>29.21%</b> N/A	NC <u>UAAL</u> Total	15.25% 25.01 <b>40.26%</b> <b>36.02%</b>	NC UAAL Total	20.10% 37.46 <b>57.56%</b> <b>54.01%</b>	NC <u>UAAL</u> Total	15.71% 24.42 <b>40.13%</b> <b>38.08%</b>
12/31/15 With 3-Year Phase-In	NC UAAL <b>Total</b>	10.57% 13.79 <b>24.36%</b> N/A	NC <u>UAAL</u> Total	8.81% 20.53 <b>29.34%</b> N/A	NC <u>UAAL</u> Total	12.23% 0.00 12.23%	NC UAAL <sup>5</sup> Total	9.25% 22.08 <b>31.33%</b>	NC UAAL Total	15.00% 25.32 40.32% 38.20%	NC UAAL Total	20.04% 39.16 59.20% 57.42%	NC <u>UAAL</u> Total	15.30% 23.81 39.11% 38.09%
12/31/16	NC	10.40%	NC	8.99%	NC	9.98%	NC	7.59%	NC	15.24%	NC	19.39%	NC	14.84%
	UAAL	11.46	<u>UAAL</u>	18.35	<u>UAAL</u>	0.00	UAAL <sup>8</sup>	9.69	UAAL	26.06	UAAL	38.19	<u>UAAL</u>	22.27
	<b>Total</b>	<b>21.86%</b>	Total	<b>27.34</b> %	Total	<b>9.98%</b>	Total	<b>17.28%</b>	Total	<b>41.30%</b>	Total	57.58%	Total	<b>37.11%</b>
12/31/17 With 3-Year Phase-In	NC <u>UAAL</u> Total	11.02% 12.74 <b>23.76%</b> <b>22.51%</b>	NC <u>UAAL</u> Total	10.41% 17.62 <b>28.03%</b> <b>26.15%</b>	NC <u>UAAL</u> Total	12.03% <u>1.44</u> <b>13.47%</b> <b>12.51%</b>	NC UAAL Total	9.36% 0.00 <b>9.36%</b> N/A	NC <u>UAAL</u> Total	16.63% 33.00 <b>49.63%</b> <b>45.37%</b>	NC UAAL Total	19.29% 41.07 <b>60.36%</b> <b>56.65%</b>	NC <u>UAAL</u> Total	15.44% 23.09 <b>38.53%</b> <b>36.24%</b>
12/31/18 With 3-Year Phase-In	NC <u>UAAL<sup>14</sup></u> Total	11.13% 15.29 <b>26.42%</b> <b>25.79%</b>	NC <u>UAAL</u> Total	10.16% 15.90 <b>26.06%</b> <b>25.12%</b>	NC <u>UAAL</u> Total	12.33% 0.22 <b>12.55%</b> <b>12.33%</b>	NC UAAL Total	10.32% <u>1.77</u> <b>12.09%</b> N/A	NC <u>UAAL</u> Total	16.76% 34.41 <b>51.17%</b> <b>49.04%</b>	NC UAAL Total	19.04% 42.56 <b>61.60%</b> <b>59.75%</b>	NC <u>UAAL</u> Total	15.27% 24.99 <b>40.26%</b> <b>39.11%</b>
12/31/19	NC	11.14%	NC	10.05%	NC	12.25%	NC	10.37%	NC	16.82%	NC	18.46%	NC	15.66%
	UAAL	0.39	<u>UAAL</u>	14.06	<u>UAAL</u>	3.01	UAAL	0.19	UAAL	36.92	UAAL	43.65	<u>UAAL</u>	23.79
	<b>Total</b>	<b>11.53%</b>	Total	<b>24.11%</b>	Total	<b>15.26%</b>	Total	<b>10.56%</b>	Total	53.74%	Total	<b>62.11%</b>	Total	<b>39.45%</b>
12/31/20	NC	10.98%	NC	9.82%	NC	11.80%	NC	10.51%	NC	16.26%	NC	17.73%	NC	15.11%
	<u>UAAL</u>	0.00	<u>UAAL</u>	11.49	<u>UAAL</u>	2.85	<u>UAAL</u>	0.00	<u>UAAL</u>	34.06	<u>UAAL</u>	39.73	<u>UAAL</u>	16.36
	Total	<b>10.98%</b>	Total	<b>21.31%</b>	Total	<b>14.65%</b>	Total	<b>10.51%</b>	Total	<b>50.32%</b>	Total	<b>57.46</b> %	Total	<b>31.47%</b>
12/31/21	NC	11.18%	NC	9.87%	NC	11.97%	NC	10.48%	NC	16.11%	NC	17.76%	NC	15.29%
	<u>UAAL</u>	0.00	<u>UAAL</u>	9.37	<u>UAAL</u>	<u>1.02</u>	UAAL	0.00	UAAL	30.55	UAAL	35.53	<u>UAAL</u>	12.35
	Total	<b>11.18%</b>	Total	<b>19.24</b> %	Total	<b>12.99%</b>	<b>Total</b>	<b>10.48%</b>	Total	<b>46.66%</b>	Total	<b>53.29</b> %	Total	<b>27.64</b> %
12/31/22	NC	10.79%	NC	9.98%	NC	12.04%	NC	10.48%	NC	16.11%	NC	18.07%	NC	15.89%
	<u>UAAL</u>	0.00	<u>UAAL</u>	10.50	<u>UAAL</u>	2.45	UAAL	0.00	UAAL	36.48	UAAL	37.86	<u>UAAL</u>	12.96
	Total	<b>10.79%</b>	Total	<b>20.48</b> %	Total	<b>14.49%</b>	<b>Total</b>	<b>10.48%</b>	<b>Total</b>	<b>52.59%</b>	Total	<b>55.93%</b>	Total	<b>28.85%</b>
12/31/23	NC	11.32%	NC	10.10%	NC	12.26%	NC	10.67%	NC	16.05%	NC	17.74%	NC	15.85%
	<u>UAAL</u>	0.00	<u>UAAL</u>	10.51	<u>UAAL</u>	<u>1.57</u>	UAAL	0.00	<u>UAAL</u>	37.76	UAAL	36.26	<u>UAAL</u>	12.62
	Total	<b>11.32%</b>	Total	<b>20.61%</b>	Total	<b>13.83%</b>	Total	<b>10.67%</b>	Total	<b>53.81%</b>	Total	<b>54.00</b> %	Total	<b>28.47%</b>

<sup>12</sup> The net UAAL contribution rate for O.C. Children and Families Commission is 4.30% (or 3.26% after the three-year phase-in) as of December 31, 2018.

<sup>13</sup> This is the UAAL rate for O.C. Sanitation District for FY 20–21 before reflecting the additional UAAL contributions made during calendar year 2019.

<sup>14</sup> This is the UAAL rate for Transportation Corridor Agency for FY 20–21 before reflecting the additional UAAL contributions made during calendar year 2019.

<sup>15</sup> This is the net UAAL contribution rate for County and IHSS Public Authority without reflecting the UAAL contributions required for Vector Control, Cypress Recreation and Parks, U.C.I. and Department of Education.

<sup>16</sup> The net UAAL contribution rate for O.C. Children and Families Commission is 5.36% as of December 31, 2019.

<sup>17</sup> The net UAAL contribution rate for O.C. Children and Families Commission is 5.98% as of December 31, 2020.

<sup>18</sup> The net UAAL contribution rate for O.C. Children and Families Commission is 3.50% as of December 31, 2021.

<sup>19</sup> After reflecting implementation of Plan U by Superior Court for their PEPRA members.

<sup>20</sup> The net UAAL contribution rate for O.C. Children and Families Commission is 4.79% as of December 31, 2022.

<sup>21</sup> The net UAAL contribution rate for O.C. Children and Families Commission is 5.46% as of December 31, 2023.

# SUMMARY OF ACTIVE MEMBERSHIP

Valuation Date	Number	Annual Salary	Annual Average Salary	Increase in Average Salary (%)
12/31/14 General Safety <b>Total</b>	17,705 <u>3,754</u> <b>21,459</b>	\$ 1,267,582,000 380,578,000 <b>\$ 1,648,160,000</b>	\$ 71,595 101,379 <b>\$ 76,805</b>	2.37 2.66 <b>2.29</b>
12/31/15 General Safety <b>Total</b>	17,839 3,686 <b>21,525</b>	\$ 1,254,521,000 378,590,000 <b>\$ 1,633,111,000</b>	\$ 70,325 102,710 <b>\$ 75,870</b>	-1.77 1.31 <b>-1.22</b>
12/31/16 General Safety <b>Total</b>	18,072 3,674 <b>21,746</b>	\$ 1,353,363,000 406,470,000 <b>\$ 1,759,833,000</b>	\$ 74,887 110,634 <b>\$ 80,927</b>	6.49 7.71 <b>6.67</b>
12/31/17 General Safety <b>Total</b>	17,941 3,780 <b>21,721</b>	\$ 1,385,356,000 426,523,000 <b>\$ 1,811,879,000</b>	\$ 77,217 112,837 <b>\$ 83,416</b>	3.11 1.99 <b>3.08</b>
12/31/18 General Safety <b>Total</b>	18,150 <u>3,779</u> <b>21,929</b>	\$ 1,432,041,000 443,331,000 <b>\$ 1,875,372,000</b>	\$ 78,900 117,314 <b>\$ 85,520</b>	2.18 3.97 <b>2.52</b>
12/31/19 General Safety <b>Total</b>	18,356 <u>3,901</u> <b>22,257</b>	\$ 1,481,966,000 470,568,000 \$ 1,952,534,000	\$ 80,735 120,628 <b>\$ 87,727</b>	2.33 2.82 <b>2.58</b>
12/31/20 General Safety <b>Total</b>	17,733 3,826 <b>21,559</b>	\$ 1,479,418,000 483,451,000 \$ 1,962,869,000	\$ 83,427 126,359 <b>\$ 91,046</b>	3.33 4.75 <b>3.78</b>
12/31/21 General Safety <b>Total</b>	18,128 	\$ 1,548,180,000 504,526,000 \$ 2,052,706,000	\$ 85,403 129,932 <b>\$ 93,258</b>	2.37 2.83 <b>2.43</b>
12/31/22 General Safety <b>Total</b>	18,184 	\$ 1,611,755,000 512,924,000 <b>\$ 2,124,679,000</b>	\$ 88,636 132,299 <b>\$ 96,309</b>	3.79 1.82 <b>3.27</b>
12/31/23 General Safety <b>Total</b>	18,805 	\$ 1,736,974,000 <u>541,002,000</u> <b>\$ 2,277,976,000</b>	\$ 92,368 136,033 <b>\$ 99,990</b>	4.21 2.82 <b>3.82</b>

Excludes Deferred and Pending members.

# SUMMARY OF RETIRED MEMBERSHIP

		Added to Rolls		Removed	l from Rolls				
Plan Year Ending	At Beginning of Year	Number	Annual Allowance (in 000's)	Number	Annual Allowance (in 000's)	At End of Year	Annual Allowance (in 000's)	% Increase in Annual Allowance	Average Monthly Allowance
2014	14,505	995	\$ 52,838	(331)	\$ (9,812)	15,169	\$ 628,892	7.34	\$ 3,455
2015	15,169	1,053	58,679	(412)	(12,077)	15,810	675,494	7.41	3,560
2016	15,810	989	51,759	(430)	(12,895)	16,369	714,358	5.75	3,637
2017	16,369	1,039	62,374	(461)	(15,155)	16,947	761,577	6.61	3,745
2018	16,947	1,155	82,438	(428)	(14,191)	17,674	829,824	8.96	3,913
2019	17,674	1,207	86,521	(461)	(15,215)	18,420	901,130	8.59	4,077
2020	18,420	1,449	104,439	(450)	(14,896)	19,419	990,673	9.94	4,251
2021	19,419	953	71,304	(546)	(20,271)	19,826	1,041,706	5.15	4,379
2022	19,826	1,381	111,237	(529)	(20,806)	20,678	1,132,137	8.68	4,563
2023	20,678	1,210	104,436	(605)	(26,794)	21,283	1,209,779	6.86	4,737

Note: Annual allowances exclude RMBR and STAR COLA.

# DEVELOPMENT OF ACTUARIAL AND VALUATION VALUE OF ASSETS

As of December 31, 2023

Ending	Total Actual Fair Value Return (net)	Expected Fair Value Return (net)	Investment Gain/ (Loss)	Deferred Factor		Deferred Return	
2019	\$ 2,123,258,000	\$ 1,004,779,000	\$ 1,118,479,000	0.0	4	ş -	
2020	1,982,757,000	1,155,523,000	827,234,000	0.2		165,447,000	
2021	3,273,348,000	1,293,495,000	1,979,853,000	0.4	791,941,0		
2022	(2,106,139,000)	1,518,273,000	(3,624,412,000)	0.6		(2,174,647,000)	
2023	2,258,475,000	1,361,890,000	896,585,000	0.8		717,268,000	
(1) To	, tal Deferred Return	· · · · ·	$I_{\rm c} \sim 0$		\$	(499,991,000)	
	et Fair Value of Assets (Excludes \$. Prepaid Employer Contributions a			int)	\$	21,635,294,000	
(3) Ac	ctuarial Value of Assets (2) – (1)						
			\$	22,135,285,000 <sup>1</sup>			
(4) No	on-valuation Reserves	a Maria			\$	22,135,285,000 <sup>1</sup>	
(4) No	on-valuation Reserves (a) Unclaimed member depos	it			\$ \$	22,135,285,0001	
(4) No						22,135,285,000 <sup>1</sup> - -	
(4) No	(a) Unclaimed member depos					22,135,285,000 <sup>1</sup> - - -	
	(a) Unclaimed member depos (b) Medicare medical insuran	ce reserve	•		\$	22,135,285,000 <sup>1</sup> - - 22,135,285,000	
(5) Va	(a) Unclaimed member depos (b) Medicare medical insuran (c) Subtotal	ce reserve	•		\$	<u> </u>	
(5) Va (6) De	(a) Unclaimed member depos (b) Medicare medical insuran (c) Subtotal aluation Value of Assets (3) – (4)(c)	ce reserve ) n of the Next 4 Years		•	\$	<u> </u>	
(5) Va (6) De (a)	(a) Unclaimed member depos (b) Medicare medical insuran (c) Subtotal aluation Value of Assets (3) – (4)(c) eferred Return Recognized in Each	ce reserve ) n of the Next 4 Years 24		•	\$ \$ \$	- - 22,135,285,000	
(5) Va (6) De (a) (b)	(a) Unclaimed member depos (b) Medicare medical insuran (c) Subtotal aluation Value of Assets (3) – (4)(c) eferred Return Recognized in Each ) Amount recognized on 12/31/20	ce reserve ) n of the Next 4 Years 24 25		•	\$ \$ \$	- - 22,135,285,000 15,852,000	
(5) Va (6) De (a) (b) (c)	<ul> <li>(a) Unclaimed member deposition</li> <li>(b) Medicare medical insurant</li> <li>(c) Subtotal</li> <li>aluation Value of Assets (3) – (4)(c)</li> <li>eferred Return Recognized in Each</li> <li>Amount recognized on 12/31/20</li> <li>Amount recognized on 12/31/20</li> </ul>	ce reserve ) n of the Next 4 Years 24 25 26	· · · · · · · · · · · · · · · · · · ·	•	\$ \$ \$	- - 22,135,285,000 15,852,000 (149,595,000)	

 $^1\,$  Ratio of Actuarial Value of Assets to Net Fair Value of Assets is 102.3% ((3)  $\div$  (2)).

# SCHEDULE OF FUNDED LIABILITIES BY TYPE

(Dollars in Thousands)

	(1)	(2)	(3)		Portion Covered b	of Accrued by Valuation	Liability Assets (%
Valuation Date	(1) Active Member Contributions	(2) Liability for Inactive Participants	(3) Liability for Active Members (Employer Financed Portion)	Valuation Value of Assets	(1)	(2)	(3)
12/31/14	\$ 2,298,744	\$ 9,017,874	\$ 5,096,506	\$ 11,449,911	100	100	2.62
12/31/15	2,488,757	9,696,776	4,864,824	12,228,009	100	100	0.87
12/31/16	2,654,599	10,109,528	5,169,334	13,102,978	100	100	6.56
12/31/17	2,815,839	11,121,965	5,697,623	14,197,125	100	100	4.55
12/31/18	2,980,108	12,018,354	5,704,887	14,994,420	100	99.97	0.00
12/31/19	3,116,707	13,131,453	5,668,570	16,036,869	100	98.39	0.00
12/31/20	3,167,835	14,109,921	5,627,219	17,525,117	100	100	4.40
12/31/21	3,364,884	14,921,449	5,729,740	19,488,761	100	100	20.99
12/31/22	3,387,061	16,421,755	5,577,853	20,691,659	100	100	15.83
12/31/23	3,479,433	17,528,353	5,780,255	22,135,285	100	100	19.51

**OCERS** – ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

# **Economic Assumptions**

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the January 1, 2020 through December 31, 2022 Actuarial Experience Study dated August 11, 2023. Unless otherwise noted, all actuarial assumptions and methods shown below apply to members for all tiers. These assumptions were adopted by the Board.

Net Investment Return:	7.00%; net of investment expenses and administrative expenses.
Member Contribution	
Crediting Rate:	5.00%, compounded semi-annually.
Inflation Rate:	Increase of 2.50% per year.
Cost of Living Adjustments:	Retiree COLA increases of 2.75% per year subject to a 3.0% maximum change per year. The actual COLA granted by OCERS on April 1, 2024 has been reflected in the December 31, 2023 valuation.
Payroll Growth:	Inflation of 2.50% per year plus "across the board" real salary increases of 0.50% per year.
Increase in Section 7522.10 Compensation Limit:	Increase of 2.50% per year from the valuation date.
Individual Salary Increases:	Inflation at 2.50% per year plus "across the board" real salary increases of 0.50% per year, plus the following merit and promotion increases:

#### Annual Rate of Compensation Increase (%)

-	lowing merit and promotion in	
Years of Service	General	Safety
Less than 1	5.00	12.00
1-2	7.25	10.00
2-3	6.50	8.75
3-4	5.50	7.75
4-5	4.50	6.75
5-6	3.75	5.75
6-7	3.00	5.00
7-8	2.75	3.75
8-9	2.00	3.00
9-10	1.80	2.75
10-11	1.60	2.00
11-12	1.50	1.85
12-13	1.40	1.85
13-14	1.30	1.85
14-15	1.25	1.85
15-16	1.25	1.60
16-17	1.15	1.60
17-18	1.10	1.60
18-19	1.10	1.60
19-20	0.90	1.50
20 & over	0.90	1.50

In addition to the individual salary increase assumptions, we have applied an average of two hours of additional salary annually for leap-year salary adjustment.

(continued)

# **Demographic Assumptions**

Post-Retirement Mortality Rates:	
Healthy:	<b>For General Members:</b> Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
	<b>For Safety Members:</b> Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates decreased by 5% for females, projected generationally with two-dimensional mortality improvement scale MP-2021.
Disabled:	<b>For General Members:</b> Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates decreased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
	For Safety Members: Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
All Beneficiaries:	<b>For Beneficiaries not currently in pay status:</b> Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
	<b>For Beneficiaries in pay status:</b> Pub-2010 General Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
	ity tables and adjustments as shown above reflect the mortality experience as of the measurement date. The is a provision for future mortality improvement.
Employee Contribution Rates:	<b>For General Members:</b> Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5% for females, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP 2021, weighted 40% male and 60% female.
	<b>For Safety Members:</b> Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates decreased by 5% for females, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2021, weighted 85% male and 15% female.
Pre-Retirement Mortality Rates:	For General Members: Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.
	<b>For Safety Members:</b> Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

(continued)

# **Termination Rates Before Retirement**

**Mortality Rates** 

	Rate (%) <sup>1</sup> Mortality			
	Gei	General		fety
Age	Male	Female	Male	Female
20	0.04	0.01	0.04	0.02
25	0.02	0.01	0.03	0.02
30	0.03	0.01	0.04	0.02
35	0.04	0.02	0.04	0.03
40	0.06	0.03	0.05	0.04
45	0.09	0.05	0.07	0.06
50	0.13	0.08	0.10	0.08
55	0.19	0.11	0.15	0.11
60	0.28	0.17	0.23	0.14
65	0.41	0.27	0.35	0.20
70	0.61	0.44	0.66	0.39

All General pre-retirement deaths are assumed to be non-service connected. For Safety, 90% of pre-retirement deaths are assumed to be non-service connected. The other 10% are assumed to be service connected.

#### **Disability Incidence Rates**

		Rate (%) Disability		
Age	General All Other <sup>2</sup>	General OCTA <sup>3</sup>	Safety - Law & Fire ⁴	Safety - Probation <sup>5</sup>
20	0.00	0.00	0.00	0.00
25	0.00	0.00	0.02	0.03
30	0.01	0.03	0.08	0.08
35	0.03	0.20	0.19	0.13
40	0.07	0.36	0.34	0.18
45	0.13	0.46	0.46	0.26
50	0.21	0.56	1.22	0.36
55	0.28	0.72	3.38	0.49
60	0.30	1.04	5.40	0.22
65	0.30	1.68	7.50	0.00

<sup>1</sup> Generational projections beyond the base year (2010) are not reflected in the above mortality rates.

<sup>2</sup> 75% of General All Other disabilities are assumed to be service connected disabilities. The other 25% are assumed to be non-service connected.

<sup>3</sup> 85% of General OCTA disabilities are assumed to be service connected disabilities. The other 15% are assumed to be non-service connected.

<sup>4</sup> 100% of Safety Law Enforcement and Fire disabilities are assumed to be service connected disabilities.

<sup>5</sup> 85% of Safety Probation disabilities are assumed to be service connected disabilities. The other 15% are assumed to be non-service connected.

(continued)

## **Termination Rates Before Retirement**

(continued)

#### Termination Rates

	Rate (%) Termination			
Years of Service	General All Other	General OCTA	Safety - Law & Fire	Safety - Probation
Less than 1	11.25	16.50	4.00	12.50
1-2	7.25	11.50	3.00	11.50
2-3	6.50	9.25	2.50	9.50
3-4	5.50	8.25	2.25	5.00
4-5	5.25	7.75	2.00	4.00
5-6	4.75	6.50	1.75	3.25
6-7	4.25	4.25	1.25	2.75
7-8	4.00	4.00	1.20	2.75
8-9	3.50	3.50	1.15	2.50
9-10	3.00	2.75	1.10	1.75
10-11	2.50	2.75	1.05	1.50
11-12	2.00	2.50	1.00	1.50
12-13	1.75	2.50	0.95	1.25
13-14	1.75	2.25	0.65	1.00
14-15	1.60	2.25	0.60	0.75
15-16	1.50	2.00	0.55	0.75
16-17	1.40	2.00	0.50	0.75
17-18	1.30	1.75	0.45	0.75
18-19	1.20	1.75	0.40	0.50
19-20	1.00	1.25	0.30	0.25
20 & over	0.50	0.75	0.15	0.20

#### **Election for Withdrawal of Contributions Rates**

			te (%) awal of Contributions	
Years of Service	General All Other	General OCTA	Safety - Law & Fire	Safety - Probation
Less than 5	25.00	35.00	25.00	20.00
5-9	17.50	30.00	25.00	20.00
10-14	17.50	25.00	12.50	20.00
15 & over	15.00	15.00	12.50	15.00

(continued)

#### **Retirement Rates**

		Rate Retire	e(%) <sup>1</sup> ement	
	Gen	eral	General Non-Enhanced <sup>2</sup>	
Age	Less than 30 Years of Service	Greater than 30 Years of Service	Less than 30 Years of Service	Greater than 30 Years of Service
49	0.00	30.00	0.00	25.00
50	2.25	5.00	2.75	2.75
51	2.25	5.00	2.75	2.75
52	2.50	5.00	2.75	2.75
53	3.00	9.00	2.75	2.75
54	7.50	16.00	2.75	2.75
55	13.00	35.00	3.25	3.50
56	10.00	24.00	3.25	3.50
57	10.00	22.00	5.50	5.50
58	10.00	22.00	6.50	6.50
59	11.00	24.00	6.50	6.50
60	12.00	24.00	8.00	12.00
61	12.00	24.00	8.00	15.00
62	14.00	24.00	8.00	18.00
63	14.00	24.00	10.00	22.00
64	17.00	30.00	12.00	25.00
65	25.00	30.00	22.00	30.00
66	25.00	30.00	25.00	32.00
67	25.00	30.00	27.00	32.00
68	25.00	25.00	32.00	32.00
69	25.00	25.00	30.00	30.00
70	25.00	25.00	25.00	30.00
71	25.00	25.00	20.00	30.00
72	22.00	25.00	20.00	30.00
73	20.00	25.00	20.00	30.00
74	20.00	25.00	20.00	30.00
75	100.00	100.00	100.00	100.00

<sup>1</sup> The retirement rates only apply to members that are eligible to retire at the age shown. <sup>2</sup> These assumptions are also used for the CalPEPRA 1.62% @ 65 formula (Plan T and Plan W).

(continued)

Retirement Rates

(continued)

				e (%) <sup>1</sup> ement			
	Saf Law (31	ety 1664.1)	Sat Law (3	fety 1664.1)		Safety Probation (31664.1)	
Age	Less than 30 Years of Service	Greater than 30 Years of Service	Less than 30 Years of Service	Greater than 30 Years of Service	Less than 30 Years of Service	Greater than 30 Years of Service	
45	2.50	16.00	2.00	10.00	3.00	5.00	
46	2.50	16.00	2.00	10.00	3.00	5.00	
47	2.50	16.00	2.00	10.00	3.00	5.00	
48	2.50	16.00	2.00	10.00	3.00	5.00	
49	12.00	16.00	2.00	10.00	3.00	5.00	
50	18.00	20.00	4.50	10.00	9.00	12.00	
51	18.00	20.00	4.50	10.00	7.00	10.00	
52	18.00	20.00	4.50	10.00	5.00	9.00	
53	20.00	35.00	9.00	20.00	7.00	9.00	
54	24.00	35.00	12.00	25.00	7.00	12.00	
55	24.00	35.00	12.00	25.00	12.00	30.00	
56	24.00	35.00	12.00	25.00	18.00	30.00	
57	24.00	35.00	20.00	25.00	25.00	30.00	
58	24.00	40.00	20.00	30.00	25.00	30.00	
59	24.00	40.00	25.00	30.00	18.00	30.00	
60	30.00	40.00	25.00	30.00	20.00	40.00	
61	30.00	40.00	25.00	30.00	20.00	40.00	
62	30.00	40.00	25.00	30.00	20.00	40.00	
63	30.00	40.00	25.00	30.00	20.00	40.00	
64	30.00	40.00	25.00	30.00	20.00	40.00	
65	100.00	100.00	100.00	100.00	100.00	100.00	

<sup>1</sup>The retirement rates only apply to members that are eligible to retire at the age shown.

(continued)

#### **Retirement Rates**

(continued)

		Rate (%) <sup>1</sup> Retirement	
Age	General SJC (31676.12)	Safety Law (31664.2)	Safety Probation (31664.1)
50	4.00	12.00	8.00
51	4.00	12.50	9.00
52	4.00	13.00	10.00
53	4.00	18.00	12.00
54	4.00	19.00	14.00
55	4.00	35.00	24.00
56	5.00	25.00	23.00
57	6.00	25.00	25.00
58	7.00	25.00	25.00
59	9.00	30.00	35.00
60	10.00	40.00	40.00
61	12.00	40.00	40.00
62	13.00	40.00	40.00
63	13.00	40.00	40.00
64	19.00	40.00	40.00
65	22.00	100.00	100.00
66	26.00	100.00	100.00
67	26.00	100.00	100.00
68	26.00	100.00	100.00
69	26.00	100.00	100.00
70	45.00	100.00	100.00
71	45.00	100.00	100.00
72	45.00	100.00	100.00
73	45.00	100.00	100.00
74	45.00	100.00	100.00
75	100.00	100.00	100.00

<sup>1</sup>The retirement rates only apply to members that are eligible to retire at the age shown.

(continued)

Retirement Rates

(continued)

		Rate ( Retirer	%) <sup>1</sup> nent	
Age	CalPEPRA 2.5% @ 67 General Formula	CalPEPRA 2.5% @ 57 Safety Formula Probation	CalPEPRA 2.5% @ 57 Safety Formula Law	CalPEPRA 2.5% @ 57 Safety Formula Fire
50	0.00	3.00	11.50	6.00
51	0.00	3.00	12.00	6.50
52	5.50	3.50	12.50	8.00
53	2.00	3.50	16.50	10.00
54	2.00	6.00	17.50	12.00
55	2.75	12.00	30.00	20.00
56	3.75	12.00	20.00	19.00
57	5.50	15.00	20.00	21.00
58	7.50	25.00	25.00	25.00
59	7.50	25.00	30.00	30.00
60	7.50	40.00	40.00	40.00
61	7.50	40.00	40.00	40.00
62	14.00	40.00	40.00	40.00
63	14.00	40.00	40.00	40.00
64	15.00	40.00	40.00	40.00
65	20.00	100.00	100.00	100.00
66	22.00	100.00	100.00	100.00
67	23.00	100.00	100.00	100.00
68	23.00	100.00	100.00	100.00
69	23.00	100.00	100.00	100.00
70	25.00	100.00	100.00	100.00
71	25.00	100.00	100.00	100.00
72	25.00	100.00	100.00	100.00
73	25.00	100.00	100.00	100.00
74	25.00	100.00	100.00	100.00
75	100.00	100.00	100.00	100.00

<sup>1</sup>The retirement rates only apply to members that are eligible to retire at the age shown.

119

A	CTUARIAL METHODS AND ASSUMPTIONS
	(continued)
14 A	
Retirement Age and Benefit for Deferred Vested Members:	<ul> <li>For current and future deferred vested members, we make the following retirement age assumptions: <ul> <li>General Age: 58</li> <li>Safety Age: 54</li> </ul> </li> <li>For current and future deferred vested members with reciprocity, we make the following retirement age assumptions: <ul> <li>General Age: 60</li> <li>Safety Age: 54</li> </ul> </li> <li>Future deferred vested members who terminate with less than five years of service and are not vested are assumed to retire at age 70 for both General and Safety if they decide to leave their contributions on deposit.</li> <li>12.5% of future General and 20% of future Safety deferred vested members are assumed to continue to work for a reciprocal employer. For reciprocals, 3.90% and 4.50% compensation increases are assumed per annum for General and Safety, respectively.</li> </ul>
Liability Calculation for Current Deferred Vested Members:	Liability for a current deferred vested member is calculated based on salary (adjusted with the additional cash out assumptions for non-CalPEPRA members), service, and eligibility for reciprocal benefit as provided by the Retirement System. For those members without salary information that have three or more years of service, we used an average salary. For those members without salary information that have less than three years of service or for those members without service information, we assumed a refund of account balance.
Future Benefit Accruals:	1.0 year of service per year of employment. There is no assumption to anticipate conversion of unused sick leave at retirement.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Percent Married:	For all active and inactive members, 75% of male members and 55% of female members are assumed to be married at pre-retirement death or retirement.
Age and Gender of Spouse:	For all active and inactive members, male members are assumed to have a female spouse who is three years younger than the member and female members are assumed to have a male spouse who is two years older than the member.

	Rate (%)		
Years of Service	Final One Year Salary	Final Three Year Salary	
General Non-CalPEPRA	3.00%	3.20%	
Safety Probation Non-CalPEPRA	N/A	3.50%	
Safety Law Non-CalPEPRA	N/A	6.60%	
Safety Fire Non-CalPEPRA	N/A	1.50%	
General CalPEPRA	N/A	N/A	
Safety Probation CalPEPRA	N/A	N/A	
Safety Law CalPEPRA	N/A	N/A	
Safety Fire CalPEPRA	N/A	N/A	

The additional cash out assumptions are the same for service and disability retirements.



(continued)

**Actuarial Value of Assets:** 

Fair value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected return on a fair value basis, and is recognized over a five-year period.

Valuation Value of Assets:

The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.

Actuarial Cost Method:

Entry Age Actuarial Cost Method. Entry Age is the age on the valuation date minus the lesser of years of employment or years of benefit service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation. The normal cost rate is calculated assuming their Entry Age is the date they entered service with OCERS.

Please note that for Probation members who have prior benefit service in another General OCERS plan, the normal cost rate for the current plan is calculated assuming their Entry Age is the date they entered service with their current plan.

**Amortization Policy:** 

Effective December 31, 2013, the outstanding balance of the UAAL from the December 31, 2012 valuation was combined and re-amortized over a declining 20-year period. Any changes in UAAL due to actuarial gains or losses or due to changes in assumptions or methods will be amortized over separate 20-year periods. Any changes in UAAL due to plan amendments will be amortized over separate 15-year periods and any change in UAAL due to early retirement incentive programs will be amortized over a separate period of up to 5 years.

This section summarizes the major provisions of OCERS included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

lembership Eligibility:	Membership with OCERS begins with the day of employment in an eligible position by the County or a participating employer.
Non-CalPEPRA General Plans:	
2.5% @ 55 Plans	(Orange County Sanitation District <sup>1</sup> and Law Library <sup>2</sup> )
Plan G	General members hired before September 21, 1979.
Plan H	General members hired on or after September 21, 1979.
and the second	<sup>1</sup> Sanitation District members within Supervisors and Professional unit hired on or afte October 1, 2010 are in Plan B.
	<sup>2</sup> Improvement is prospective only for service after June 23, 2005.
2.7% @ 55 Plans	(City of San Juan Capistrano, Orange County Employees except bargaining unit AFSCME members Orange County Superior Court, Orange County Local Agency Formation Commission <sup>3</sup> , Orange County Employees Retirement System <sup>4</sup> , Children and Family Commission <sup>5</sup> and Orange County Fire Authority)
Plan I	General members hired before September 21, 1979.
Plan J	General members hired on or after September 21, 1979.
	<sup>3</sup> Improvement is prospective only for service after June 23, 2005.
Strate State State	<sup>4</sup> Improvement for management employees is prospective only for service after June 30, 2005.
	<sup>5</sup> Improvement is prospective only for service after December 22, 2005.
2.0% @ 55 Plans	(Transportation Corridor Agency, Cemetery District <sup>6</sup> and General OCFA employees effectiv July 1, 2011)
Plan M	General members hired before September 21, 1979.
Plan N	General members hired on or after September 21, 1979.
	<sup>6</sup> Improvement is prospective only for service after December 7, 2007.
1.62% @ 65 Plans	(Orange County Employees, Orange County Superior Court, Orange County Local Agency Formation Commission and Orange County Managers Unit)
Plan O	County OCEA members and Superior Court members rehired on or after May 7, 2010, LAFCO members rehired on or after July 1, 2010 and County Managers unit members rehired on or after August 17, 2010 and not electing to rejoin Plan I.
Plan P	County OCEA members and Superior Court members hired on or after May 7, 2010, LAFCO members hired on or after July 1, 2010 and County Managers unit members hired on or after August 17, 2010 and not electing Plan J.
2.0% @ 57 Plan	(City of San Juan Capistrano)
Plan S	General members hired on or after July 1, 2012.
All Other General Employers:	
Plan A	General members hired before September 21, 1979.
Plan B	General members hired on or after September 21, 1979 and Sanitation District members within Supervisors and Professional unit hired on or after October 1, 2010.

SECTION 4 : ACTUARIAL

(continued)

ty members hired before September 21, 1979. ty members hired on or after September 21, 1979 and before April 9, 2010 for Law rcement, before July 1, 2011 for Safety employees of OCFA Executive Management, and re July 1, 2012 for other OCFA Safety employees. <i>Enforcement and Fire Authority</i> ) ty Law Enforcement members rehired on or after April 9, 2010, Safety employees of OCF/ Jutive Management rehired on or after July 1, 2011, and other OCFA Safety employees red on or after July 1, 2012 and previously in Plan E. ty Law Enforcement members hired on or after April 9, 2010, Safety employees of OCF/ Jutive Management hired on or after July 1, 2011, and other OCFA Safety employees hired r after July 1, 2012. <i>Inge County Employees except County Attorneys, Orange County Employees Retirement</i> <i>em except Management Employees, Children and Family Commission, Local Agency Formation</i> <i>mission, and Orange County Superior Courty</i> <sup>1</sup> eral members with membership dates on or after January 1, 2013. <i>Other General Employers, Orange County Attorneys, Orange County Superior Court</i> <sup>1</sup> , <i>Orange</i> <i>ty Employees Retirement System Management Employees</i> <i>eral</i> Non-Orange County Transportation Authority members with membership dates on or <i>January</i> 1, 2013 and Orange County Transportation Authority members with membership <i>s</i> on or after January 1, 2016 and not electing Plan U. <i>Penforcement, Fire Authority and Probation Members</i> )	Non-CalPEPRA Safety Plans:	
ty members hired on or after September 21, 1979 and before April 9, 2010 for Law recement, before July 1, 2011 for Safety employees of OCFA Executive Management, an re July 1, 2012 for other OCFA Safety employees. <i>enforcement and Fire Authority</i> ? ty Law Enforcement members rehired on or after April 9, 2010, Safety employees of OCF. Surve Management rehired on or after July 1, 2011, and other OCFA Safety employees ed on or after July 1, 2012 and previously in Plan E. ty Law Enforcement members hired on or after April 9, 2010, Safety employees of OCF. Utive Management hired on or after July 1, 2011, and other OCFA Safety employees of OCF. Utive Management hired on or after July 1, 2011, and other OCFA Safety employees hire r after July 1, 2012. <i>Safety employees after play 1, 2012</i> . <i>Safety employees except County Attorneys, Orange County Employees Retiremere em except Management Employees, Children and Family Commission, Local Agency Formatio mission, and Orange County Superior Court)</i> <sup>1</sup> eral members with membership dates on or after January 1, 2013. <i>Other General Employees, Orange County Attorneys, Orange County Superior Court</i> <sup>1</sup> , <i>Orang ny Employees Retirement System Management Employees</i> ) eral Non-Orange County Transportation Authority members with membership dates on or after January 1, 2013 and Orange County Transportation Authority members with membership dates on or after January 1, 2016 and not electing Plan U. <i>A Enforcement, Fire Authority and Probation Members</i> )	3% @ 50 Plans	(Law Enforcement, Fire Authority and Probation)
rcement, before July 1, 2011 for Safety employees of OCFA Executive Management, an re July 1, 2012 for other OCFA Safety employees. <i>Enforcement and Fire Authority)</i> ty Law Enforcement members rehired on or after April 9, 2010, Safety employees of OCF cutive Management rehired on or after July 1, 2011, and other OCFA Safety employees red on or after July 1, 2012 and previously in Plan E. ty Law Enforcement members hired on or after April 9, 2010, Safety employees of OCF cutive Management hired on or after July 1, 2011, and other OCFA Safety employees of OCF cutive Management hired on or after July 1, 2011, and other OCFA Safety employees hire r after July 1, 2012. <i>Inge County Employees except County Attorneys, Orange County Employees Retiremer</i> <i>em except Management Employees, Children and Family Commission, Local Agency Formatio</i> <i>mission, and Orange County Superior Court)</i> <sup>1</sup> eral members with membership dates on or after January 1, 2013. <i>Other General Employers, Orange County Attorneys, Orange County Superior Court</i> <sup>1</sup> , <i>Orang</i> <i>ty Employees Retirement System Management Employees</i> ) eral Non-Orange County Transportation Authority members with membership dates on or January 1, 2013 and Orange County Transportation Authority members with membership s on or after January 1, 2015. <i>To San Juan Capistrano</i> ) eral members with membership dates on or after January 1, 2016 and not electing Plan U. <i>Penforcement, Fire Authority and Probation Members</i> )	Plan E	Safety members hired before September 21, 1979.
ty Law Enforcement members rehired on or after April 9, 2010, Safety employees of OCF sutive Management rehired on or after July 1, 2011, and other OCFA Safety employees red on or after July 1, 2012 and previously in Plan E. ty Law Enforcement members hired on or after April 9, 2010, Safety employees of OCF sutive Management hired on or after July 1, 2011, and other OCFA Safety employees hire r after July 1, 2012. <i>nge County Employees except County Attorneys, Orange County Employees Retirement em except Management Employees, Children and Family Commission, Local Agency Formation mission, and Orange County Superior Court)<sup>1</sup> eral members with membership dates on or after January 1, 2013. Other General Employees, Orange County Attorneys, Orange County Superior Court<sup>1</sup>, Orang <i>nty Employees Retirement System Management Employees</i>) eral Non-Orange County Transportation Authority members with membership dates on or ' January 1, 2013 and Orange County Transportation Authority members with membership dates on or after January 1, 2015. <i>of San Juan Capistrano</i>) eral members with membership dates on or after January 1, 2016 and not electing Plan U.</i>	Plan F	Safety members hired on or after September 21, 1979 and before April 9, 2010 for La Enforcement, before July 1, 2011 for Safety employees of OCFA Executive Management, an before July 1, 2012 for other OCFA Safety employees.
<ul> <li>Province Management rehired on or after July 1, 2011, and other OCFA Safety employees and on or after July 1, 2012 and previously in Plan E.</li> <li>Plank Enforcement members hired on or after April 9, 2010, Safety employees of OCF survey Management hired on or after July 1, 2011, and other OCFA Safety employees hire or after July 1, 2012.</li> <li>Province County Employees except County Attorneys, Orange County Employees Retirement em except Management Employees, Children and Family Commission, Local Agency Formation mission, and Orange County Superior Court)<sup>1</sup></li> <li>Peral members with membership dates on or after January 1, 2013.</li> <li>Other General Employees, Orange County Attorneys, Orange County Superior Court<sup>1</sup>, Orange the Employees Retirement System Management Employees)</li> <li>Peral Non-Orange County Transportation Authority members with membership dates on or after January 1, 2013 and Orange County Transportation Authority members with membership dates on or after January 1, 2016 and not electing Plan U.</li> <li>Peraforcement, Fire Authority and Probation Members)</li> </ul>	3% @ 55 Plans	(Law Enforcement and Fire Authority)
entive Management hired on or after July 1, 2011, and other OCFA Safety employees hire r after July 1, 2012. <i>nge County Employees except County Attorneys, Orange County Employees Retirement em except Management Employees, Children and Family Commission, Local Agency Formation mission, and Orange County Superior Court)<sup>1</sup> eral members with membership dates on or after January 1, 2013. <i>Other General Employers, Orange County Attorneys, Orange County Superior Court<sup>1</sup>, Orang nty Employees Retirement System Management Employees</i>) eral Non-Orange County Transportation Authority members with membership dates on or ' January 1, 2013 and Orange County Transportation Authority members with membership dates on or <i>after January</i> 1, 2013. <i>or of San Juan Capistrano</i>) eral members with membership dates on or after January 1, 2016 and not electing Plan U. <i>e Enforcement, Fire Authority and Probation Members</i>)</i>	Plan Q	Safety Law Enforcement members rehired on or after April 9, 2010, Safety employees of OCF Executive Management rehired on or after July 1, 2011, and other OCFA Safety employee rehired on or after July 1, 2012 and previously in Plan E.
em except Management Employees, Children and Family Commission, Local Agency Formation mission, and Orange County Superior Court) <sup>1</sup> eral members with membership dates on or after January 1, 2013. Other General Employers, Orange County Attorneys, Orange County Superior Court <sup>1</sup> , Orang hty Employees Retirement System Management Employees) eral Non-Orange County Transportation Authority members with membership dates on or January 1, 2013 and Orange County Transportation Authority members with membership s on or after January 1, 2015. of San Juan Capistrano) eral members with membership dates on or after January 1, 2016 and not electing Plan U.	Plan R	Safety Law Enforcement members hired on or after April 9, 2010, Safety employees of OCF Executive Management hired on or after July 1, 2011, and other OCFA Safety employees hire on or after July 1, 2012.
em except Management Employees, Children and Family Commission, Local Agency Formation mission, and Orange County Superior Court) <sup>1</sup> eral members with membership dates on or after January 1, 2013. Other General Employers, Orange County Attorneys, Orange County Superior Court <sup>1</sup> , Orang hty Employees Retirement System Management Employees) eral Non-Orange County Transportation Authority members with membership dates on or January 1, 2013 and Orange County Transportation Authority members with membership dates on or or January 1, 2013 and Orange County Transportation Authority members with membership s on or after January 1, 2015. of San Juan Capistrano) eral members with membership dates on or after January 1, 2016 and not electing Plan U.	CalPEPRA General Plans:	
Other General Employers, Orange County Attorneys, Orange County Superior Court <sup>1</sup> , Orange nty Employees Retirement System Management Employees) eral Non-Orange County Transportation Authority members with membership dates on or January 1, 2013 and Orange County Transportation Authority members with membership s on or after January 1, 2015. of San Juan Capistrano) eral members with membership dates on or after January 1, 2016 and not electing Plan U.	1.62% @ 65 Plan	(Orange County Employees except County Attorneys, Orange County Employees Retiremen System except Management Employees, Children and Family Commission, Local Agency Formatic Commission, and Orange County Superior Court) <sup>1</sup>
nty Employees Retirement System Management Employees) eral Non-Orange County Transportation Authority members with membership dates on or January 1, 2013 and Orange County Transportation Authority members with membership s on or after January 1, 2015. of San Juan Capistrano) eral members with membership dates on or after January 1, 2016 and not electing Plan U.	Plan T	General members with membership dates on or after January 1, 2013.
r January 1, 2013 and Orange County Transportation Authority members with membersh s on or after January 1, 2015. of San Juan Capistrano) eral members with membership dates on or after January 1, 2016 and not electing Plan U.	2.5% @ 67 Plan	(All Other General Employers, Orange County Attorneys, Orange County Superior Court <sup>1</sup> , Orang County Employees Retirement System Management Employees)
eral members with membership dates on or after January 1, 2016 and not electing Plan U. <i>Enforcement, Fire Authority and Probation Members)</i>	Plan U	General Non-Orange County Transportation Authority members with membership dates on after January 1, 2013 and Orange County Transportation Authority members with membersh dates on or after January 1, 2015.
enforcement, Fire Authority and Probation Members)	1.62% @ 65 Plan	(City of San Juan Capistrano)
	Plan W	General members with membership dates on or after January 1, 2016 and not electing Plan U.
	CalPEPRA Safety Plans:	
ty members with membership dates on or after January 1, 2013.	2.7% @ 57 Plan	(Law Enforcement, Fire Authority and Probation Members)
	Plan V	Safety members with membership dates on or after January 1, 2013.
지금 사람이 많은 것이 없는 것이 없는 것이 있는 것이 같은 것이 같이 있는 것이 같이 많이 많이 많이 없는 것이 없다. 것이 많이 많이 많이 없는 것이 없는 것이 없는 것이 없는 것이 없는 것이 없		

<sup>1</sup> Orange County Superior Court adopted Plan U (2.5% at 67 Plan) on a go forward basis for all existing employees in Plan T (1.62% at 65 Plan) and any future PEPRA eligible employees with an effective date of July 1, 2023.

(continued)

Plans A, E, G, I, M, O and Q	Highest consecutive twelve months of compensation earnable. (§31462.1) (FAS1)
Plans B, F, H, J, N, P, R and S	Highest consecutive thirty-six months of compensation earnable. (§31462) (FAS3)
Plan T	Highest consecutive thirty-six months of pensionable compensation. (§7522.32 and §7522.34) (FAS3)
Plans U, V and W	Highest consecutive thirty-six months of pensionable compensation. (§7522.10(c), §7522.32 and §7522.34) (FAS3)
Service:	Years of service. (Yrs) are generally based on a member's employment during a period of time for which deductions are made from their compensation.
Service Retirement Eligibility:	
Plans A, B, G, H, I, J, M, N, O, P, S, T, and W	Age 50 with 10 years of service, or age 70 regardless of service, or after 30 years, regardless of age. (§31672)
	All part-time employees over age 55 with 10 years of employment may retire with 5 years of service.
Plan U	Age 52 with 5 years of service (§7522.20(a)) or age 70 regardless of service. (§31672.3)
Plans E, F, Q and R	Age 50 with 10 years of service, or age 70 regardless of service, or after 20 years, regardless of age. (§31663.25)
Same S.	All part-time employees over age 55 with 10 years of employment may retire with 5 years of service.
Plan V	Age 50 with 5 years of service (§7522.20(d)) or age 70 regardless of service. (§31672.3)
A Company Company	
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	

SECTION 4 : ACTUARIAL

(continued)

#### **Benefit Formula: General Plans**

General Plans	Retirement Age	Benefit Formula
2.5% @ 55		
Plan G (§31676.18)	50	(2.00% x FAS1 x Yrs)
Tier 1	55	(2.50% x FAS1 x Yrs)
	60	(2.50% x FAS1 x Yrs)
	62	(2.62% x FAS1 x Yrs) <sup>1</sup>
	65 or later	(2.62% x FAS1 x Yrs) <sup>1</sup>
Plan H (§31676.18)	50	(2.00% x FAS3 x Yrs)
Tier 2	55	(2.50% x FAS3 x Yrs)
	60	(2.50% x FAS3 x Yrs)
	62	(2.50% x FAS3 x Yrs)
	65 or later	(2.50% x FAS3 x Yrs)
cts benefit factors from Plan A as they provide a b	etter benefit than those under 2.5% @ 55.	
2.7%@55		
	50	(2.00% x FAS1 x Yrs)
Tier 1	55	(2.70% x FAS1 x Yrs)
	60	(2.70% x FAS1 x Yrs)
	62	(2.70% x FAS1 x Yrs)
	65 or later	(2.70% x FAS1 x Yrs)
Plan J (§31676.19)	50	(2.00% x FAS3 x Yrs)
Tier 2	55	(2.70% x FAS3 x Yrs)
	60	(2.70% x FAS3 x Yrs)
benefit factors from Plan A as they provide a be 2.7% @ 55 Plan I (§31676.19) Tier 1 Plan J (§31676.19) Tier 2 2.0% @ 55 Plan M (§31676.16)	62	(2.70% x FAS3 x Yrs)
	65 or later	(2.70% x FAS3 x Yrs)
2.0% @ 55		
Plan M (§31676.16)	50	(1.43% x FAS1 x Yrs)
Tier 1	55	(2.00% x FAS1 x Yrs)
	60	(2.34% x FAS1 x Yrs) <sup>2</sup>
	62	(2.62% x FAS1 x Yrs) <sup>2</sup>
	65 or later	(2.62% x FAS1 x Yrs) <sup>2</sup>
Plan N (§31676.16)	50	(1.43% x FAS3 x Yrs)
Tier 2	55	(2.00% x FAS3 x Yrs)
	60	(2.26% x FAS3 x Yrs)
	62	(2.37% x FAS3 x Yrs)
	65 or later	(2.43% x FAS3 x Yrs) <sup>3</sup>

 $^1$  Reflects benefit factors from Plan A as they provide a better benefit than those under 2.5% @ 55.

 $^2$  Reflects benefit factors from Plan A as they provide a better benefit than those under 2.0% @ 55.

(continued)

#### Benefit Formula: General Plans (continued)

General Plans	Retirement Age	Benefit Formula
1.62% @ 65		
Plan 0 (§31676.01)	50	(0.79% x FAS1 x Yrs)
Tier 1	55	(0.99% x FAS1 x Yrs)
	60	(1.28% x FAS1 x Yrs)
	62	(1.39% x FAS1 x Yrs)
	65 or later	(1.62% x FAS1 x Yrs)
Plan P, Plan T and Plan W (§31676.01)	50	(0.79% x FAS3 x Yrs)
Tier 2	55	(0.99% x FAS3 x Yrs)
	60	(1.28% x FAS3 x Yrs)
	62	(1.39% x FAS3 x Yrs)
	65 or later	(1.62% x FAS3 x Yrs)
2.0% @ 57		
Plan S (§31676.12)	50	(1.34% x FAS3 x Yrs)
Tier 2	55	(1.77% x FAS3 x Yrs)
	60	(2.34% x FAS3 x Yrs)
	62	(2.62% x FAS3 x Yrs)
	65 or later	(2.62% x FAS3 x Yrs)
Plan A (§31676.12)	50	(1.34% x FAS1 x Yrs)
Tier 1	55	(1.77% x FAS1 x Yrs)
	60	(2.34% x FAS1 x Yrs)
	62	(2.62% x FAS1 x Yrs)
	65 or later	(2.62% x FAS1 x Yrs)
1.67% @ 57.5		
Plan B (§31676.1)	50	(1.18% x FAS3 x Yrs)
Tier 2	55	(1.49% x FAS3 x Yrs)
	60	(1.92% x FAS3 x Yrs)
	62	(2.09% x FAS3 x Yrs)
	65 or later	(2.43% x FAS3 x Yrs)
2.5% @ 67		
Plan U (§7522.20(a))	52	(1.00% x FAS3 x Yrs)
	55	(1.30% x FAS3 x Yrs)
	60	(1.80% x FAS3 x Yrs)
	62	(2.00% x FAS3 x Yrs)
	65	(2.30% x FAS3 x Yrs)
	67 or later	(2.50% x FAS3 x Yrs)

(continued)

#### **Benefit Formula: Safety Plans**

Safety Plans	Retirement Age	Benefit Formula		
<i>3%</i> @ <i>50</i>				
Plan E (§31664.1)	50	(3.00% x FAS1 x Yrs)		
Tier 1	55	(3.00% x FAS1 x Yrs)		
	60 or later	(3.00% x FAS1 x Yrs)		
Plan F (§31664.1)	50	(3.00% x FAS3 x Yrs)		
Tier 2	55	(3.00% x FAS3 x Yrs)		
	60 or later	(3.00% x FAS3 x Yrs)		
3%@55				
Plan Q (§31664.2)	50	(2.29% x FAS1 x Yrs)		
Tier 1	55	(3.00% x FAS1 x Yrs)		
	60 or later	(3.00% x FAS1 x Yrs)		
Plan R (§31664.2)	50	(2.29% x FAS3 x Yrs)		
Tier 2	55	(3.00% x FAS3 x Yrs)		
	60 or later	(3.00% x FAS3 x Yrs)		
2.7% @ 57				
Plan V (§7522.25(d))	50	(2.00% x FAS3 x Yrs)		
	55	(2.50% x FAS3 x Yrs)		
	57 or later	(2.70% x FAS3 x Yrs)		

(continued)

#### **Maximum Benefit:**

 Plans A, B, E, F, G, H, I, J, M, N,
 100% of Highest Average Compensation. (§31676.01, §31676.1, §31676.12, §31676.16, §31676.18, §31676.19, §31664.1, §31664.2)

 Plans U and V
 None

#### **Ordinary Disability:**

#### **General Plans:**

Plans A, B, G, H, I, J, M, N,	O, P, S, T, U and W
Eligibility	Five years of service. (§31720)
Benefit Formula	• Plans A, G, I, M, and O: 1.8% per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 62, but the total benefit cannot be more than one-third of Final Compensation. (§31727.1)
	• Plans B, H, J, N, P, S, T, U and W: 1.5% per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 65, but the total benefit cannot be more than one-third of Final Compensation. (§31727)
Safety Plans:	
Plans E, F, Q, R and V	
Eligibility	Five years of service. (§31720)
Benefit Formula	1.8% per year of service. If the benefit does not exceed one-third of Final Compensation, the service is projected to 55, but the total benefit cannot be more than one-third of Final Compensation (§31727.2)

No age or service requirements. (§31720)

#### Line-of-Duty Disability:

_	12.20 10.00	
88	Benefit For	mula
	Eligibility	1.
II M	embers:	

#### **Pre-Retirement Death:**

All Members: Eligibility

A

Benefit

Death in line of duty

#### None

Refund of member contributions with interest plus one month's compensation for each year of service to a maximum of six month's compensation. (§31781) A lump sum benefit in the amount of \$1,000 is payable upon death of a member (with 10 years of service) to his/her eligible beneficiary. (§31790)

50% of the Final Compensation or 100% of Service Retirement benefit, if greater. (§31727.4)

For all members, 100% of the service retirement benefit will be paid, if greater.

50% of Final Compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor-children. (§31787)

Or

Five years of service.

Vested Members:

Eligibility

128

Benefit

60% of the greater of Service or Ordinary Disability Retirement benefit payable to eligible surviving spouse (§31765.1, §31781.1), in lieu of §31781.

SECTION 4 : ACTUARIAL

(continued)

Death After Retirement:	
All Members:	
Service or Ordinary Disability Retirement	60% of member's unmodified allowance continued to eligible spouse. (§31760.1) A lump sum benefit in the amount of \$1,000 is payable upon death of a member (with 10 years of service) to his/her eligible beneficiary. (§31790) An eligible spouse is a surviving spouse who was married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. (§31760.1)
Line-of-Duty Disability	100% of member's allowance continued to eligible spouse. (§31786) A lump sum benefit in the amount of \$1,000 is payable upon death of a member (with 10 years of service) to his/her eligible beneficiary. (§31790)
Withdrawal Benefits:	
Less than Five Years of Service	Refund of accumulated member contributions with interest or earned benefit at age 70 (§31628). Effective January 1, 2003, a member may also elect to leave their contributions on deposit in the retirement fund. (§31629.5)
Five or More Years of Service	Refund of accumulated employee contributions with interest. If contributions left on deposit, a member is entitled to earned benefits commencing at any time after eligible to retire. (§31700)
Post-Retirement	
Cost-of-Living Benefits:	Future changes based on Consumer Price Index to a maximum of 3% per year, excess "banked." (§31870.1)
Supplemental Benefit:	Non-vested supplemental COLA and medical benefits are also paid by the System to eligible retirees and survivors. These benefits have been excluded from this valuation.
Member Contributions:	
Non-CalPEPRA General Plans:	
Plan A	
Basic	Provide for an average annuity at age 60 equal to 1/200 of FAS1. (§31621.5)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.
Plan B	
Basic	Provide for an average annuity at age 60 equal to 1/120 of FAS3. (§31621)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.
Plans G, H, I and J	
Basic	Provide for an average annuity at age 55 equal to 1/100 of FAS3 (FAS1 for Plans G and I) (§31621.8)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.
Plans M, N, O and P	
Basic	Provide for an average annuity payable at age 60 equal to 1/120 of FAS3 (FAS1 for Plans M and O). (§31621)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.
Plan S	
Basic	Provide for an average annuity at age 60 equal to 1/100 of FAS3. (§31621.2)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.

**OCERS** – ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

(continued)

lember Contributions: (conti	nuea)
Non-CalPEPRA Safety Plans	
Plans E and Q	
Basic	Provide for an average annuity at age 50 equal to 1/200 FAS1. (§31639.5)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.
Plans F and R	
Basic	Provide for an average annuity at age 50 equal to 1/100 of FAS3. (§31639.25)
Cost-of-Living	Provide for 50% of future Cost-of-Living costs.
CalPEPRA Plans:	
Plans T, U, V and W	50% of total Normal Cost rate.
Other Information:	Non-CalPEPRA Safety members with 30 or more years of benefit service are exempt from payir member contributions. The same applies for General members hired on or before March 7, 1973

Note: The summary of major plan provisions is designed to outline principal plan benefits as interpreted for purposes of the actuarial valuation.

#### **EXPERIENCE ANALYSIS**

(2014 - 2023) (Dollars in Thousands)

#### Gains & Losses in Actuarial Accrued Liabilities During Years Ended December 31, Resulting from Differences Between Assumed Experience & Actual Experience (Dollar Amounts in Thousands)

	Gains (or Losses) Per Year									
Type of Activity		2014		2014 2015		2016 2		2017	2017 20	
Retirements	\$	-	\$	(62,070)	\$	-	\$	-	\$	-
Pay Increases		125,746		282,696		(204,603)		66,399		71,908
COLA Increases		153,484		119,367		186,039		95,796		(24,279)
Investment Income		9,570		(229,138)		(113,103)		24,401		(255,908)
Other		(4,476)		10,056		(4,119)		5,316		(143,172)
Gain (or Loss) During Year From Experience	\$	284,324	\$	120,911	\$	(135,786)	\$	191,912	\$	(351,451)
Nonrecurring Items:										
Method and Procedure Changes		-		-		92,587*		-		-
Plan Amendments and Assumption Changes		122,171		<u> </u>				(853,538)		
Composite Gain (or Loss) During Year	\$	406,495	\$	120,911	\$	(43,199)	\$	(661,626)	\$	(351,451)

Gains & Losses in Actuarial Accrued Liabilities During Years Ended December 31, Resulting from Differences Between Assumed Experience & Actual Experience (Dollar Amounts in Thousands)

	Gains (or Losses) Per Year								
Type of Activity	2019	2020	2021	2022	2023				
Retirements	\$	- \$ -	\$ -	\$ -	\$-				
Pay Increases	52,71	6 62,291	87,162	(27,467)	(84,355)				
COLA Increases	(131,22	0) 123,844 <sup>1</sup>	(148,830)	(261,281)	(14,660)				
Investment Income	(50,51	4) 370,675	767,019	(59,849)	158,556				
Other	(161,09	0) (193,593)	(10,716)	(2,978)	(83,899)				
Gain (or Loss) During Year From Experience	\$ (290,10	8) \$ 363,217	\$ 694,635	\$ (351,575)	\$ (24,358)				
Nonrecurring Items:									
Method and Procedure Changes		- 37,783 <sup>2</sup>	-	-	-				
Plan Amendments and Assumption Changes		- (24,273)			(144,967)				
Composite Gain (or Loss) During Year	\$ (290,10	8) \$ 376,727	\$ 694,635	\$ (351,575)	\$ (169,325)				

<sup>1</sup> Beginning with the December 31, 2020 valuation, the COLA for the upcoming April 1 is reflected in the valuation.

<sup>2</sup> Effect of reallocating present value benefits between NC and AAL.

\* Includes leap year salary adjustment, revised benefit and eligibility service credits from pension administration system and automatic continuance benefit for child beneficiary.

# SECTION 5 STATISTICAL

#### **Tustin Station**

- Where Insight Drives Impact

Opened in 2002, Tustin Station embodies OCERS' commitment to data-informed strategy. With its modern structure and central role in regional transit, it reflects the analytical focus and precision that define the Statistical section. Like the numbers that guide our insights, Tustin stands as a hub of clarity – keeping OCERS on track with transparency, accuracy, and measurable progress.

TUSTIN



### STATISTICAL SECTION REVIEW

The Statistical Section of the Annual Comprehensive Financial Report provides additional information in order to promote a more comprehensive understanding of the financial statements, note disclosures and supplemental information.

The Governmental Accounting Standards Board (GASB) established five categories of information to be provided in the Statistical Section: Financial Trends, Revenues, Expenses, Demographic and Economic, and Operating Information.

This section provides multi-year trend information to facilitate an understanding of how OCERS as an organization has changed over time.

Information of financial trends, revenues and expenses for the last ten years is presented in the Schedules of Changes in Fiduciary Net Position, Schedule and Graph of Fiduciary Revenue by Source, and Schedule and Graph of Expenses by Type.

### SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -PENSION TRUST FUND

Years Ended December 31		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Additions				·							
Employer Contributions	\$	571,298	\$ 567,196	\$ 572,104 \$	\$ 580,905 \$	\$ 653,793	\$ 659,807	\$ 698,791	\$ 719,691	\$ 749,776	\$ 846,363
Employee Contributions		249,271	258,297	262,294	270,070	279,373	279,384	271,334	269,999	277,455	302,545
Investment Income/(Loss)		(11,903)	1,060,040	1,938,025	(326,145)	2,182,666	2,172,339	3,221,132	(2,059,364)	2,324,556	2,331,477
Net Securities Lending		1,030	1,203	1,610	1,517	1,142	845	933	774	925	768
Total Additions	<u>\$</u>	809,696	\$ 1,886,736	<u>\$ 2,774,033 </u>	<u>526,347</u>	<u>\$ 3,116,974</u>	<u>\$ 3,112,375</u>	\$ 4,192,190	<u>\$ (1,068,900)</u>	<u>\$ 3,352,712</u>	<u>\$ 3,481,153</u>
Deductions											
Benefits	\$	675,963	\$ 717,976	\$ 764,344 \$	\$ 828,278	\$ 900,902	\$ 973,325	\$ 1,045,738	\$ 1,139,715	\$ 1,216,248	\$ 1,285,410
Administrative Expenses		12,521	16,870	17,002	18,284	19,171	20,428	21,473	23,546	29,056	31,181
Total Deductions	\$	688,484	\$ 734,846	<u>\$ 781,346 </u>	\$ <u>846,562</u>	\$ 920,073	<u>\$ 993,753</u>	<u>\$ 1,067,211</u>	<u>\$ 1,163,261</u>	<u>\$ 1,245,304</u>	<u>\$ 1,316,591</u>
Changes in Fiduciary Net Position	\$	121,212	<u>\$ 1,151,890</u>	<u>\$ 1,992,687</u>	\$ (320,215)	<u>\$ 2,196,901</u>	<u>\$ 2,118,622</u>	<u>\$ 3,124,979</u>	<u>\$ (2,232,161)</u>	<u>\$ 2,107,408</u>	<u>\$ 2,164,562</u>

2015 – 2024 (Dollars in Thousands)

### SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -HEALTH CARE FUND - COUNTY

2015 – 2024 (Dollars in Thousands)

Years Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Additions										
Employer Contributions	\$ 36,557	\$ 42,411	\$ 59,864	\$ 52,520	\$ 54,788	\$ 41,559	\$ 41,049	\$ 41,889	\$-	\$ 6,404
Investment Income/(Loss)	(698)	16,902	34,087	(5,888)	43,523	40,706	66,688	(38,483)	48,959	44,133
Net Securities Lending	18	21	32	31	25	19	21	18	20	16
Total Additions	\$ 35,877	\$ 59,334	<u>\$ 93,983</u>	\$ 46,663	<u>\$ 98,336</u>	<u>\$ 82,284</u>	<u>\$ 107,758</u>	<u>\$ 3,424</u>	<u>\$ 48,979</u>	<u>\$ 50,553</u>
Deductions										
Benefits	\$ 30,107	\$ 30,818	\$ 32,042	\$ 33,290	\$ 35,012	\$ 36,784	\$ 37,262	\$ 37,013	\$ 36,837	\$ 35,885
Administrative Expenses	22	22	22	20	20	22	23	23	24	24
Total Deductions	\$ 30,129	\$ 30,840	<u>\$ 32,064</u>	<u>\$ 33,310</u>	\$ 35,032	\$ 36,806	\$ 37,285	<u>\$ 37,036</u>	\$ 36,861	\$ 35,909
Changes in Fiduciary Net Position	<u>\$    5,748</u>	<u>\$ 28,494</u>	<u>\$ 61,919</u>	<u>\$ 13,353</u>	<u>\$ 63,304</u>	<u>\$ 45,478</u>	<u>\$ 70,473</u>	<u>\$ (33,612)</u>	<u>\$ 12,118</u>	<u>\$ 14,644</u>

### SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -HEALTH CARE FUND - OCFA

2015 – 2024 (Dollars in Thousands)

Years Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Additions										
Employer Contributions	\$ 2,624	\$ 2,414	\$ 2,380	\$ 4,536	\$ 2,111	\$ 1,976	\$ 16,773	\$ 2,932	\$ 26,245	\$ 30,588
Investment Income/(Loss)	(99)	) 2,845	5,113	(725)	5,288	4,140	6,746	(4,705)	7,305	8,920
Net Securities Lending	3	3	4	4	3	2	2	2	4	3
Total Additions	<u>\$ 2,528</u>	<u>\$ 5,262</u>	<u>\$ 7,497</u>	<u>\$ 3,815</u>	<u>\$ 7,402</u>	<u>\$ 6,118</u>	<u>\$ 23,521</u>	<u>\$ (1,771)</u>	<u>\$ 33,554</u>	<u>\$ 39,511</u>
Deductions										
Benefits	\$ 3,448	\$ 3,867	\$ 3,978	\$ 5,077	\$ 5,018	\$ 5,539	\$ 5,999	\$ 6,658	\$ 7,157	\$ 7,735
Administrative Expenses	22	22	27	30	21	22	24	22	23	22
Total Deductions	<u>\$</u> 3,470	\$ 3,889	<u>\$ 4,005</u>	<u>\$                                    </u>	<u>\$                                    </u>	<u>\$                                    </u>	\$ 6,023	<u>\$ 6,680</u>	\$ 7,180	<u>\$ 7,757</u>
Changes in Fiduciary Net Position	<u>\$ (942)</u>	<u>\$ 1,373</u>	<u>\$ 3,492</u>	<u>\$ (1,292)</u>	<u>\$ 2,363</u>	<u>\$557</u>	<u>\$ 17,498</u>	<u>\$ (8,451)</u>	<u>\$ 26,374</u>	<u>\$ 31,754</u>

135

## SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -**CUSTODIAL FUND - OCTA**

2015 - 2024(Dollars in Thousands)

Years Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Additions										
Employer OPEB Contributions	N/A	N/A	N/A	N/A	\$ 613	\$ 613	\$ 605	\$ 655	\$ 794	\$ 17,669
Investment Income/(Loss)	N/A	N/A	N/A	N/A	3,250	2,350	2,715	(3,402)	3,003	2,564
Total Additions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,863</u>	<u>\$ 2,963</u>	<u>\$ 3,320</u>	<u>\$(2,747)</u>	<u>\$ 3,797</u>	<u>\$ 20,233</u>
Deductions										
Employer OPEB Payments	N/A	N/A	N/A	N/A	\$ 1,318	\$ 1,383	\$ 1,419	\$ 1,466	\$ 1,531	\$ 1,754
Administrative Expenses	N/A	N/A	N/A	N/A	20	22	23	23	23	23
Total Deductions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,338</u>	<u>\$ 1,405</u>	<u>\$ 1,442</u>	<u>\$ 1,489</u>	<u>\$ 1,554</u>	<u>\$    1,777</u>
Changes in Fiduciary Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>\$ -</u>	<u>\$ 2,525</u>	<u>\$ 1,558</u>	<u>\$ 1,878</u>	<u>\$(4,236)</u>	<u>\$ 2,243</u>	<u>\$ 18,456</u>

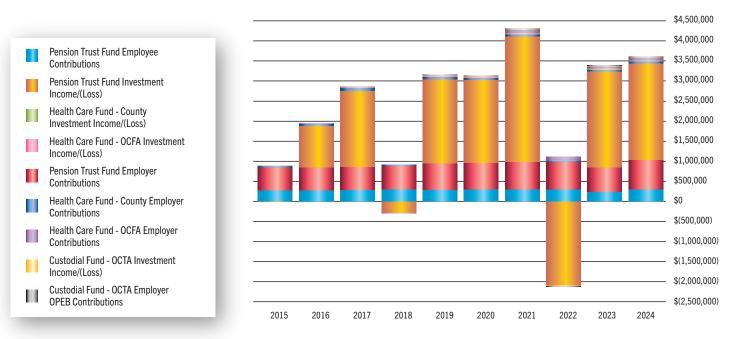
N/A: Detailed information not available. This is a 10-year schedule. Information in this schedule is not available prior to 2019 due to the implementation of GASB 84. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.



### SCHEDULE AND GRAPH OF FIDUCIARY REVENUES BY SOURCE

2015 – 2024 (Dollars in Thousands)

Years Ended December 31		2015	2016	2017	2018	2019	)	2020	202	1	2022	2023	2024
Pension Trust Fund													
Employee Contributions	\$	249,271	\$ 258,297	\$ 262,294	\$ 270,070	\$ 279,	373	\$ 279,384	\$ 271	,334	\$ 269,999	\$ 277,455	\$ 302,545
Employer Contributions		571,298	567,196	572,104	580,905	653,	793	659,807	698	,791	719,691	749,776	846,363
Investment Income/(Loss) <sup>1</sup>		(10,873)	1,061,243	1,939,635	(324,628)	2,183,	308	2,173,184	3,222	,065	(2,058,590)	2,325,481	2,332,245
Health Care Fund - (	Coui	nty											
Employer Contributions		36,557	42,411	59,864	52,520	54,	788	41,559	41	,049	41,889	-	6,404
Investment Income/(Loss) <sup>1</sup>		(680)	16,923	34,119	(5,857)	43,	548	40,725	66	,709	(38,465)	48,979	44,149
Health Care Fund - (	OCF	A											
Employer Contributions		2,624	2,414	2,380	4,536	2,	111	1,976	16	,773	2,932	26,245	30,588
Investment Income/(Loss) <sup>1</sup>		(96)	2,848	5,117	(721)	5,	291	4,142	6	,748	(4,703)	7,309	8,923
Custodial Fund - OC	TA												
Employer OPEB Contributions		N/A	N/A	N/A	N/A		513	613		605	655	794	17,669
Investment Income/(Loss) <sup>1</sup>		N/A	N/A	N/A	 N/A	3,	250	2,350	2	,715	(3,402)	3,003	2,564
Total	\$	848,101	<u>\$ 1,951,332</u>	<u>\$ 2,875,513</u>	\$ 576,825	\$ 3,226,	575	\$ 3,203,740	\$ 4,326	,789	\$ (1,069,994)	\$ 3,439,042	<u>\$ 3,591,450</u>



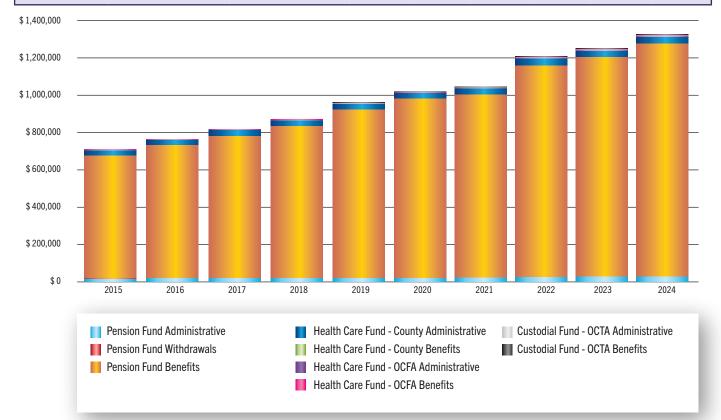
N/A: Detailed information not available.

<sup>1</sup>Investment Income/(Loss) includes net appreciation/(depreciation) less investment manager fees, security lending fees and commission recapture.

## SCHEDULE AND GRAPH OF EXPENSES BY TYPE

2015 – 2024 (Dollars in Thousands)

Years Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Pension Trust Fur	nd									
Administrative	\$ 12,521 \$	\$ 16,870 \$	17,002 \$	18,284 \$	\$ 19,171	\$ 20,428	\$ 21,473	\$ 23,546	\$ 29,056	\$ 31,181
Withdrawals										
Separation	10,764	9,411	9,294	10,681	9,458	6,883	8,323	12,810	8,497	10,483
Death	1,093	4,232	4,572	3,252	3,791	4,664	6,126	9,429	6,254	7,717
Benefits	664,106	704,333	750,478	814,345	887,653	961,778	1,031,289	1,117,476	1,201,497	1,267,210
Health Care Fund	- County									
Administrative	22	22	22	20	20	22	23	23	24	24
Benefits	30,107	30,818	32,042	33,290	35,012	36,784	37,262	37,013	36,837	35,885
Health Care Fund	- OCFA									
Administrative	22	22	27	30	21	22	24	22	23	22
Benefits	3,448	3,867	3,978	5,077	5,018	5,539	5,999	6,658	7,157	7,735
Custodial Fund -	OCTA									
Administrative	N/A	N/A	N/A	N/A	20	22	23	23	23	23
Benefits	N/A	N/A	N/A	N/A	1,318	1,383	1,419	1,466	1,531	1,754
Total	<u>\$ 722,083</u>	<u> </u>	817,415 \$	884,979	<u>\$ 961,482</u>	<u>\$ 1,037,525</u>	<u>\$ 1,111,961</u>	<u>\$ 1,208,466</u>	<u>\$ 1,290,899</u>	<u>\$ 1,362,034</u>



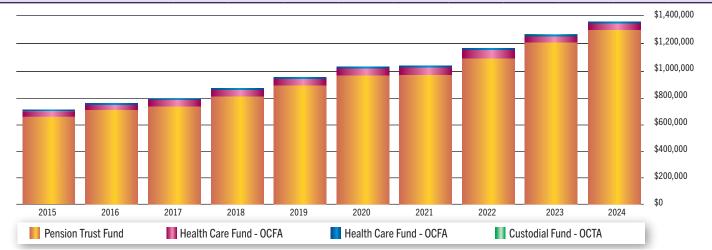
N/A: Detailed information not available.



# SCHEDULE AND GRAPH OF BENEFIT EXPENSES BY TYPE

2015–2024 (Dollars in Thousands)

Years Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Pension Trust Fund					7					
Participant Benefits										
Service Retiree Payroll										
General	\$ 446,534	\$ 475,838	\$ 502,396	\$ 545,028	\$ 593,394	\$ 644,351	\$ 691,732	\$ 743,783	\$ 795,885	\$ 855,440
Safety	158,247	167,723	180,747	199,029	218,482	238,671	252,733	280,824	300,286	303,608
Service Retiree Payroll	604,781	643,561	683,143	744,057	811,876	883,022	944,465	1,024,607	1,096,171	1,159,048
Disability Retiree Payroll										
General	25,298	25,891	29,462	29,177	31,474	30,831	31,980	33,119	32,859	33,321
Safety	33,503	34,497	37,179	40,541	43,653	46,993	53,789	58,192	71,277	73,248
Disability Retiree Payroll	58,801	60,388	66,641	69,718	75,127	77,824	85,769	91,311	104,136	106,569
Total Participant Benefits										
General	471,832	501,729	531,858	574,205	624,868	675,182	723,712	776,902	828,744	888,760
Safety	191,750	202,220	217,926	239,570	262,135	285,664	306,522	339,016	371,563	376,857
Total Participant Benefits	663,582	703,949	749,784	813,775	887,003	960,846	1,030,234	1,115,918	1,200,307	1,265,617
Membership Withdrawals and Refun	ds									
General Membership	N/A	12,778	13,063	12,288	12,536	10,693	12,897	18,311	13,451	15,264
Safety Membership	N/A	865	803	1,645	713	854	1,552	3,928	1,300	2,936
Total Withdrawals and Refunds	11,857	13,643	13,866	13,933	13,249	11,547	14,449	22,239	14,751	18,200
Death Benefits										
Total Death Benefits	524	384	694	570	650	932	1,055	1,558	1,190	1,593
Total Pension Trust Fund	675,963	717,976	764,344	828,278	900,902	973,325	1,045,738	1,139,715	1,216,248	1,285,410
Health Care Fund - County										
Health Care	30,107	30,818	32,042	33,290	35,012	36,784	37,262	37,013	36,837	35,885
Health Care Fund - OCFA										
Health Care	3,448	3,867	3,978	5,077	5,018	5,539	5,999	6,658	7,157	7,735
Custodial Fund - OCTA										
Employer OPEB Payments	N/A	N/A	N/A	N/A	1,318	1,383	1,419	1,466	1,531	1,754
Total	<u>\$ 709,518</u>	\$ 752,661	\$ 800,364	\$ 866,645	\$ 942,250	<u>\$1,017,031</u>	<u>\$1,090,418</u>	<u>\$1,184,852</u>	<u>\$1,261,773</u>	<u>\$1,330,784</u>

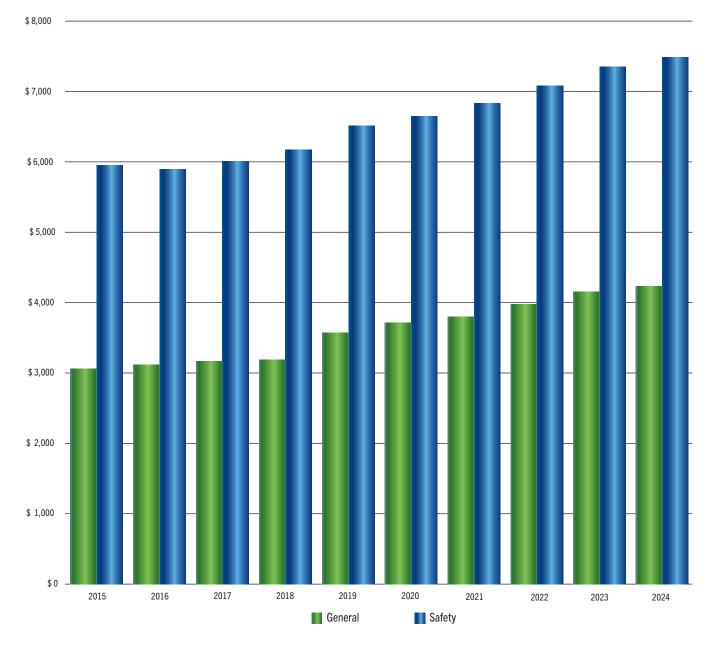


N/A: Detailed information not available.

## SCHEDULE AND GRAPH OF AVERAGE MONTHLY PENSION CHECK

2015 - 2024

Years Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General	\$ 3,103	\$ 3,142	\$ 3,244	\$ 3,372	\$ 3,520	\$ 3,686	\$ 3,791	\$ 3,944	\$ 4,093	\$ 4,237
Safety	\$ 5,974	\$ 5,917	\$ 6,017	\$ 6,245	\$ 6,499	\$ 6,680	\$ 6,825	\$ 7,048	\$ 7,277	\$ 7,470



## SCHEDULE OF AVERAGE PENSION BENEFIT PAYMENTS BY YEARS OF SERVICE

	Years of Service							
Service Retirement Effective Dates	0-5	5-10	10-15	15-20	20-25	25-30	30 & Over	
<b>Period 1/1/15-12/31/15</b> Average Monthly Pension Benefits Monthly Final Average Salary Number of Retired Members	\$582 \$8,802 22	\$ 1,263 \$ 6,888 63	\$ 1,755 \$ 5,970 128	\$ 2,850 \$ 6,673 119	\$ 3,895 \$ 6,800 110	\$ 5,679 \$ 7,893 200	\$ 7,235 \$ 8,352 182	
Period 1/1/16-12/31/16 Average Monthly Pension Benefits Monthly Final Average Salary Number of Retired Members	\$ 427 \$ 8,298 24	\$ 1,244 \$ 6,907 56	\$ 2,135 \$ 6,911 121	\$ 2,886 \$ 6,580 120	\$ 4,272 \$ 7,383 113	\$ 5,549 \$ 7,651 195	\$ 6,782 \$ 7,762 163	
Period 1/1/17-12/31/17 Average Monthly Pension Benefits Monthly Final Average Salary Number of Retired Members	\$541 \$7,952 21	\$ 1,215 \$ 6,800 47	\$ 2,073 \$ 6,844 122	\$ 3,062 \$ 6,810 147	\$ 4,513 \$ 7,743 112	\$ 5,851 \$ 7,975 190	\$ 7,069 \$ 7,931 153	
Period 1/1/18-12/31/18 Average Monthly Pension Benefits Monthly Final Average Salary Number of Retired Members	\$554 \$10,584 23	\$ 1,190 \$ 7,287 62	\$ 1,943 \$ 6,904 125	\$ 2,879 \$ 6,859 144	\$ 4,681 \$ 8,134 127	\$ 6,074 \$ 8,246 205	\$ 7,439 \$ 8,561 208	
Period 1/1/19-12/31/19 Average Monthly Pension Benefits Monthly Final Average Salary Number of Retired Members	\$ 367 \$ 7,568 31	\$ 1,424 \$ 8,243 54	\$ 2,332 \$ 7,509 121	\$ 3,073 \$ 6,985 150	\$ 4,831 \$ 8,088 135	\$ 6,475 \$ 8,591 249	\$ 7,324 \$ 8,249 191	
Period 1/1/20-12/31/20 Average Monthly Pension Benefits Monthly Final Average Salary Number of Retired Members	\$536 \$9,267 29	\$ 1,475 \$ 8,556 59	\$ 2,149 \$ 6,784 128	\$ 3,422 \$ 7,473 166	\$ 4,697 \$ 8,046 237	\$ 6,151 \$ 8,340 281	\$ 6,825 \$ 7,917 288	
Period 1/1/21-12/31/21 Average Monthly Pension Benefits Monthly Final Average Salary Number of Retired Members	\$540 \$9,897 27	\$ 1,524 \$ 8,823 53	\$ 2,361 \$ 7,781 87	\$ 3,532 \$ 7,749 102	\$ 5,406 \$ 9,348 142	\$ 6,602 \$ 8,941 112	\$ 7,219 \$ 8,377 128	
Period 1/1/22-12/31/22 Average Monthly Pension Benefits Monthly Final Average Salary Number of Retired Members	\$ 644 \$10,744 33	\$ 1,545 \$ 9,289 91	\$ 2,631 \$ 8,821 117	\$ 3,798 \$ 8,432 127	\$ 5,690 \$ 9,473 226	\$ 7,481 \$10,023 210	\$ 8,077 \$ 9,238 224	
Period 1/1/23-12/31/23 Average Monthly Pension Benefits Monthly Final Average Salary Number of Retired Members	\$ 421 \$10,111 29	\$ 1,584 \$ 9,737 60	\$ 2,815 \$ 9,249 61	\$ 3,837 \$ 8,347 114	\$ 5,083 \$ 8,452 188	\$ 7,496 \$10,150 181	\$ 7,399 \$ 8,439 210	
Period 1/1/24-12/31/24 Average Monthly Pension Benefits Monthly Final Average Salary Number of Retired Members	\$694 \$11,500 26	\$ 1,327 \$ 8,155 78	\$ 2,567 \$ 9,495 79	\$ 3,465 \$ 7,856 110	\$ 5,492 \$ 9,323 125	\$ 7,146 \$ 9,720 160	\$ 7,233 \$ 8,340 144	

## SCHEDULE OF PENSION BENEFIT RECIPIENTS BY TYPE OF BENEFIT

December 31, 2024

Monthly Benefit	Normal Retirement for Age and Service	Survivor Payment - Normal Retirement	Service- Connected Disability Retirement	Nonservice- Connected Disability Retirement	Survivor Payment - Disability Retirement	DRO (Domestic Relations Order Payees)	Active Deaths	Total
\$1-500	519	112	1	2	11	79	8	732
\$501-1,000	921	226	-	8	21	131	41	1,348
\$1,001-1,500	1,042	211	2	35	34	112	79	1,515
\$1,501-2,000	1,108	169	24	54	23	99	68	1,545
\$2,001-2,500	1,078	147	90	47	19	88	28	1,497
\$2,501-3,000	1,122	132	201	14	33	50	25	1,577
\$3,001-3,500	1,081	124	192	17	34	43	10	1,501
\$3,501-4,000	1,045	103	120	16	32	47	6	1,369
\$4,001-4,500	927	75	88	3	19	20	3	1,135
\$4,501-5,000	850	54	79	7	26	17	6	1,039
\$5,001-5,500	771	60	110	1	19	10	5	976
\$5,501-6,000	780	48	70	2	12	6	5	923
\$6,001-6,500	718	44	54	-	10	7	2	835
\$6,501-7,000	579	29	45	2	8	3	2	668
Over \$7,000	4,562	111	358	3	36	4	6	5,080
Total	17,103	<u>    1,645</u>	<u>    1,434                               </u>	211	337	716	294	21,740

## **Definition of Terms**

**Eligible Spouse:** A member's spouse is considered eligible if the member has been legally married for at least one year at the time of retirement and remains married throughout the member's retirement. Eligible Spouse also includes Qualified Domestic Partner registered in accordance with applicable Family Law provisions.

**Eligible Child:** An eligible child is an unmarried child under the age of 18, or under the age of 22 if a full-time student. This includes adopted children. Eligible Child can also include a stepchild living or domiciled with the member at the time of the member's death for purposes of an active member Nonservice-connected or Service-connected death benefit only.

## SCHEDULE OF PENSION BENEFIT RECIPIENTS BY OPTION SELECTED

December 31, 2024

Monthly Benefit	UM	0P1	OP2	OP3	OP4	DB	имс	02C	03C	04C	SCDC	NSCDC	LSRC	AN	Total
\$1-500	482	1	23	3	3	78	105	7	7	4	-	7	1	11	732
\$501-1,000	873	1	50	1	4	131	228	13	4	2	2	24	15	-	1,348
\$1,001-1,500	1,023	1	50	1	4	112	232	16	-	2	6	54	14	-	1,515
\$1,501-2,000	1,140	1	37	3	5	99	185	9	5	-	-	56	5	-	1,545
\$2,001-2,500	1,165	1	38	6	5	88	154	14	2	1	-	20	3	-	1,497
\$2,501-3,000	1,303	1	23	-	10	50	157	15	1	-	1	14	2	-	1,577
\$3,001-3,500	1,262	-	20	2	6	43	154	5	-	-	1	6	2	-	1,501
\$3,501-4,000	1,149	1	24	2	5	47	130	5	1	1	1	3	-	-	1,369
\$4,001-4,500	991	-	12	2	13	20	80	13	-	2	-	-	2	-	1,135
\$4,501-5,000	909	-	12	1	14	17	76	8	-	-	1	-	1	-	1,039
\$5,001-5,500	854	-	20	-	8	10	78	5	-	-	-	1	-	-	976
\$5,501-6,000	825	-	14	1	12	6	56	6	-	-	2	1	-	-	923
\$6,001-6,500	745	-	18	3	6	7	46	8	1	-	-	1	-	-	835
\$6,501-7,000	612	-	7	-	7	3	36	3	-	-	-	-	-	-	668
Over \$7,000 _	4,796	4	59	2	62	4	132	18	<u> </u>		1	1	1		5,080
Total =	18,129		407		164	715	1,849	145	21	12	15	188	46		21,740

## **Definition of Options:**

UM: Unmodified -- Maximum retirement allowance

- OP1: Option 1 -- Reduced retirement allowance, at death of retiree beneficiary receives remaining balance on account
- **OP2:** Option 2 -- Reduced retirement allowance
- **OP3:** Option 3 -- Reduced retirement allowance
- **OP4:** Option 4 -- Reduced retirement allowance

DB: DRO benefit -- Benefit as provided in Domestic Relations Order

UMC: Unmodified continuance -- Beneficiary receives 60% of maximum retirement allowance

**02C:** Option 2 continuance -- Beneficiary receives same monthly allowance

O3C: Option 3 continuance -- Beneficiary receives 50% of monthly allowance

O4C: Option 4 continuance -- Multiple beneficiaries receive allowance as previously approved

SCDC: SCD continuance -- Service Connected Disability

NSCDC: NSCD continuance -- Non Service Connected Disability

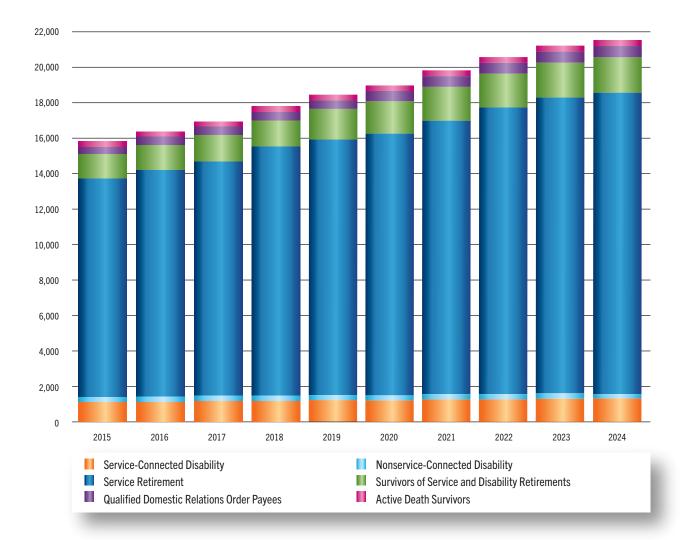
LSRC: Lump sum and reduced continuance

**AN:** Annuity

## SCHEDULE AND GRAPH OF PENSION BENEFIT RECIPIENTS

2015 - 2024

Years Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Service-Connected Disability	1,131	1,161	1,185	1,232	1,261	1,289	1,333	1,364	1,412	1,434
Nonservice-Connected Disability	271	257	261	250	244	236	228	224	216	211
Service Retirement	12,278	12,768	13,240	13,827	14,448	15,339	15,607	16,311	16,754	17,103
Survivors of Service and Disability Retirements	1,423	1,448	1,496	1,559	1,631	1,678	1,744	1,820	1,911	1,982
Qualified Domestic Relations Order Payees	399	426	455	495	530	573	616	662	693	716
Active Death Survivors	308	309	310	311	306	304	298	297	297	294
Total	15,810	16,369	16,947	17,674	18,420	19,419	<u>19,826</u>	20,678	21,283	21,740



## SCHEDULE OF AVERAGE RETIREMENT AGE

2015 - 2024

Years Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General	59.37	59.44	60.79	61.30	61.14	61.02	60.49	60.70	60.77	60.03
Safety	53.51	53.58	55.09	55.15	54.53	54.15	53.63	55.33	54.21	53.39

# SCHEDULE OF AVERAGE YEARS OF SERVICE AT RETIREMENT

2015 - 2024

Years Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General	18.22	19.56	21.41	22.08	21.95	23.18	20.87	21.99	23.40	21.72
Safety	24.18	22.81	23.92	24.60	24.36	23.87	22.16	21.82	21.93	19.88

## SCHEDULE OF BENEFICIARIES RECEIVING A PENSION

2015 - 2024

Years Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General	1,498	1,514	1,540	1,593	1,652	1,685	1,728	1,780	1,854	1,906
Safety	233	243	266	277	285	297	314	337	354	<u> </u>
Total	1,731	1,757	1,806	1,870	1,937	1,982	2,042	2,117	2,208	2,276

## SCHEDULE OF ACTIVE AND DEFERRED MEMBERS

2015 - 2024

Years Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General										
Active	17,838	18,072	17,941	18,150	18,356	17,733	18,128	18,184	18,805	19,291
Deferred	4,668	4,940	5,341	5,547	6,004	6,280	6,680	7,323	8,014	8,804
Safety										
Active	3,687	3,674	3,780	3,779	3,901	3,826	3,883	3,877	3,977	4,077
Deferred	424	430	462	479	516	538	558	571	565	573
Total	26,617	27,116	27,524	27,955	28,777	28,377	29,249	29,955	31,361	32,745

## SCHEDULE OF PARTICIPATING EMPLOYERS -PENSION PLAN

2015 - 2024

	Years Ended December 31	Total	Orange County	ОСТА	OC Superior Court	OC Fire Authority	OC Sanitation District	City of San Juan Capistrano	Trans- portation Corridor Agencies	All Other Employers
2015	Number of Covered Employees	21,525	16,574	1,409	1,462	1,224	572	75	63	146
	Percentage to Total System	100%	77.00%	6.55%	6.79%	5.69%	2.66%	0.35%	0.29%	0.68%
2016	Number of Covered Employees	21,746	16,756	1,372	1,486	1,263	578	80	68	143
	Percentage to Total System	100%	77.05%	6.31%	6.83%	5.81%	2.66%	0.37%	0.31%	0.66%
2017	Number of Covered Employees	21,721	16,778	1,313	1,455	1,288	592	81	64	150
	Percentage to Total System	100%	77.24%	6.04%	6.70%	5.93%	2.73%	0.37%	0.29%	0.69%
2018	Number of Covered Employees	21,929	17,048	1,279	1,419	1,262	616	78	62	165
	Percentage to Total System	100%	77.75%	5.83%	6.47%	5.75%	2.81%	0.36%	0.28%	0.75%
2019	Number of Covered Employees	22,257	17,160	1,350	1,419	1,416	608	76	61	167
	Percentage to Total System	100%	77.10%	6.07%	6.38%	6.36%	2.73%	0.34%	0.27%	0.75%
2020	Number of Covered Employees	21,559	16,474	1,322	1,399	1,457	618	67	54	168
	Percentage to Total System	100%	76.42%	6.13%	6.48%	6.76%	2.87%	0.31%	0.25%	0.78%
2021	Number of Covered Employees	22,011	16,899	1,315	1,384	1,508	620	51	61	173
	Percentage to Total System	100%	76.78%	5.97%	6.28%	6.85%	2.82%	0.23%	0.28%	0.79%
2022	Number of Covered Employees	22,061	16,915	1,279	1,437	1,528	605	55	55	187
	Percentage to Total System	100%	76.68%	5.80%	6.50%	6.93%	2.74%	0.25%	0.25%	0.85%
2023	Number of Covered Employees	22,782	17,581	1,264	1,459	1,560	608	55	59	196
	Percentage to Total System	100%	77.17%	5.55%	6.40%	6.85%	2.67%	0.24%	0.26%	0.86%
2024	Number of Covered Employees	23,368	17,990	1,373	1,492	1,563	625	54	62	209
	Percentage to Total System	100%	76.99%	5.88%	6.38%	6.69%	2.67%	0.23%	0.27%	0.89%



## **HISTORY OF ACTUARIAL ASSUMPTION RATES**

For the Period January 1945 - December 2024

The table shown below is a comprehensive history of the change in interest rate assumption and the salary assumption rates corresponding to the Orange County Employees Retirement System since the inception of the System. These rates are adopted by the Retirement Board and used by the consulting actuary in the creation of the actuarial valuation of the System.

Specifically, the interest rate assumption estimates the rate at which the funds of the System's investment portfolio will realize earnings over many years into the future. The salary assumption rate estimates the relative increases in the salary of a member from the date of the valuation to the estimated date of separation of the member from active service.

Effective Date	Interest Rate	Salary Assumption Rate
1/1/45	2.50%	0.00%
7/1/62	3.50%	0.00%
12/31/65	4.00%	0.00%
7/1/69	4.50%	0.00%
6/30/70	5.00%	0.00%
8/31/73	5.75%	0.00%
7/1/75	6.00%	0.00%
7/1/81	7.25%	5.00%
7/1/89	7.50%	5.50%
7/1/91	8.00%	6.00%
7/1/96	8.00%	3.50%
7/1/00	8.00%	5.50%
7/1/03	7.50%	4.50%
12/31/04	7.75%	$3.50\%^{1}$
12/31/07	7.75%	3.50% <sup>2</sup>
12/31/11	7.75%	3.50% <sup>3</sup>
12/31/12	7.25%	3.25%4
12/31/14	7.25%	3.25%4
12/31/17	7.00%	3.25%4
12/31/20	7.00%	3.00%4

<sup>1</sup> Inflation per year plus merit and promotion increases ranging from 0.6% to 0.7%

<sup>2</sup> Inflation per year plus merit and promotion increases ranging from 1% to 10%

<sup>3</sup> Inflation per year plus 0.25% across-the-board real salary increases plus merit and promotion increases ranging from 1% to 14%

<sup>4</sup> Inflation per year plus 0.50% across-the-board real salary increase

# section 6 GLOSSARY 7 0 1 4

### Anaheim Regional Transportation Intermodal Center (ARTIC)

- Where Innovation Takes the Lead

Opened in 2014, ARTIC represents a new era in transportation. Its arched, luminous structure is a beacon of progress, serving as a central hub for Amtrak, Metrolink, and future high-speed rail. With its futuristic design and sustainable focus, ARTIC reflects OCERS' commitment to innovation, accessibility, and looking forward.

ORTATIO



## **GLOSSARY OF TERMS**

#### Accrual Basis

The recording of the financial effects on a government of transactions and other events and circumstances that have financial consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

#### Accumulated Plan Benefits

Benefits attributable under the provisions of a pension plan to employees for services rendered to the benefit information date.

#### Actuarial Accrued Liability

The actuarial accrued liability, as determined by a particular cost method, equals the total present value of benefits that is attributable to past service credit.

#### Actuarial Assumptions

Assumptions used in the actuarial valuation process as to the occurrence of future events affecting pension costs, such as mortality, withdrawal, disablement and retirement; changes in compensation and national pension benefits; rates of investments earnings and asset appreciation or depreciation: procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods and other relevant items.

#### **Actuarial Determined Contribution**

A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

#### Actuarial Gain (Loss)

A measure of the difference between actuarial and expected experience based upon a set of actuarial assumptions. Examples include higher than expected salaries increases (loss) and a higher return on fund assets than anticipated (gain).

#### **Actuarial Present Value**

The discounted value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.

#### Amortization

1. The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period.

2. The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

#### Annual Comprehensive Financial Report (Annual Report)

The Annual Report is the official annual report of a governmental entity. It includes the basic financial statements and their related notes prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, required supplementary information, extensive introductory material and a detailed statistical section.

#### Cost-sharing Multiple-employer Defined Benefit Pension Plan (cost-sharing pension plan)

A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

#### **Discount Rate**

The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

- 1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected (under the requirements of GASB Statement No. 67) to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.
- 2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

## **GLOSSARY OF TERMS**

(Continued)

#### **Entry Age Actuarial Cost Method**

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on the level basis over the earnings or services of the individual between entry age and assumed exit age(s).

#### **Generally Accepted Accounting Principles (GAAP)**

Generally Accepted Accounting Principles (GAAP) are a collection of commonly followed accounting rules and standards for financial reporting. The purpose of GAAP is to ensure transparency and consistency for financial reporting.

#### **Independent Auditor's Report**

In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the basic financial statements in conformity with generally accepted accounting principles (GAAP).

#### Money-weighted Rate of Return

A method of calculating period-by-period returns on pension plan investments that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.

#### **Net Pension Liability**

The liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit pension plan.

#### **Normal Cost**

The ongoing annual cost allocated to the system by a particular actuarial cost method for providing benefits (future cost). Normal cost payments are made during the working lifetime of the member.

#### **Pension Contribution**

The amount paid into a pension plan by an employer (and/or employee), pursuant to the terms of the plan, state law, actuarial calculations or some other basis for determinations.

#### **Pension Trust Fund**

A fund used to account for public employee retirement benefits. Pension trust funds use the accrual basis of accounting and have a capital maintenance focus.

#### **Total Pension Liability**

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of GASB Statement No. 67.

#### **Unfunded Actuarial Accrued Liability (UAAL)**

The excess of the actuarial accrued liability over the actuarial value of assets represents the unfunded actuarial accrued liability.

#### **UAAL Amortization Payment**

The UAAL amortization payment is the portion of pension contributions, which is designed to pay off (amortize) the UAAL in a systematic fashion. Equivalently, it is a series of periodic payments required to pay off a debt.





# Invested in Orange County's Future.



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