



BOARD OF DIRECTORS

Agenda Report

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Agenda Item No: 2.

FROM: Robert Thompson, General Manager
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SUBJECT:

ORANGE COUNTY RETIREMENT SYSTEM (OCERS) UPDATE

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Information Item.

BACKGROUND

The Orange County Sanitation District (OC San) participates in the Orange County Retirement System (OCERS), a cost-sharing multiple-employer defined benefit pension plan. OCERS partners with 13 active participating employers to provide pension benefits for retirees and their beneficiaries. Members include many different public servants, including deputy sheriffs, firefighters, probation officers, physicians, secretaries, and bus drivers.

Although many of OC San's member agencies are members of the California Public Employees' Retirement System (CALPERS), (another multiple-employer pension plan), OCERS is a separate entity. While OCERS provides similar services, it has a different board, management and actuarial assumptions, resulting in different financial results.

Currently, OC San has no Unfunded Actuarial Accrued Liability, making OC San's participation in OCERS fully funded.

OCERS staff will provide a brief presentation on its mission, financial results and assumptions, and OC San's current financial status in the OCERS program.

ADDITIONAL INFORMATION

All qualified permanent and probationary employees are eligible to participate in OC San's Employee Pension Plan (Plan), which is a cost-sharing multiple-employer defined benefit pension plan administered by the OCERS. OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937 (CERL). The Plan operates under the provisions of the CERL, the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by OCERS' Board of Retirement. The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA and may be amended by the

California State Legislature. The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. CERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and be effective on July 1 following notice of a change in rate. Funding contributions are determined annually on an actuarial basis as of December 31 by OCERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

OCERS Actuarial Assumptions and Methods: The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Investment rate of return 7.00% of net pension.

Long-Term Expected Real Rate of Return: The long-term expected rate of return on pension plan investments 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses.

Rate of Return History:

YEAR	ASSUMED	ACTUAL
1987	7.25%	2.88%
1988	7.25%	11.53%
1989	7.50%	18.40%
1990	7.50%	1.02%
1991	8.00%	20.25%
1992	8.00%	5.78%
1993	8.00%	13.88%
1994	8.00%	-2.29%
1995	8.00%	23.26%
1996	8.00%	13.29%
1997	8.00%	17.07%
1998	8.00%	12.77%
1999	8.00%	15.68%
2000	8.00%	3.28%
2001	8.00%	-3.22%
2002	8.00%	-5.46%
2003	7.50%	19.84%
2004	7.75%	11.40%
2005	7.75%	8.83%
2006	7.75%	13.55%
2007*	7.75%	10.44%
2008	7.75%	-20.95%

2009	7.75%	18.34%
2010	7.75%	11.21%
2011	7.75%	0.53%
2012	7.25%	11.95%
2013	7.25%	10.86%
2014	7.25%	4.73%
2015	7.25%	-0.11%
2016	7.25%	8.52%
2017	7.00%	14.51%
2018	7.00%	-1.67%
2019	7.00%	14.41%
2020	7.00%	11.38%
2021	7.00%	16.56%
2022	7.00%	-7.84%
Average	7.59%	8.46%

* Net of Fees

RELEVANT STANDARDS

- Ensure that investment proposals and decisions are based on clearly defined standards
- Ensure the public's money is wisely spent

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

- Presentation