ORANGE COUNTY
OCERS
EMPLOYEES RETIREMENT SYSTEM

2014

Comprehensive Annual Financial Report

for the fiscal year ended
December 31, 2014

Orange County's Beautiful Blue

Orange County, California

Upper Newport Bay Nature Preserve

Orange County, California

Upper Newport Bay Nature Preserve is made up of bluffs surrounding the Ecological Reserve of the bay. The bluffs are home to three sensitive species; the California Gnatcatcher, San Diego Cactus Wren and Burrowing Owl. Two important plant communities are found on the bluffs; grasslands and coastal sage scrub. This area is a renown bird watching site in North America.

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2014

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

Issued by: Steve Delaney, Chief Executive Officer

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Irvine Lake

Orange County, California

Irvine Lake is a quiet, scenic fishing lake nestled at the base of the Cleveland National Forest. The lake provides excellent fishing and a family park environment. The Irvine Company and the Serrano Water District began construction on the Irvine Lake dam in 1929. The lake was filled and stocked with a variety of fish before opening in 1941. Today, the Serrano Water District provides drinking water to Villa Park and some parts of the City of Orange.

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Shaw's Cove

Orange County, California

Shaw's Cove is located in Laguna Beach. The cove includes a reef with depths up to 50 feet available for scuba divers. The rocks are full of small sea life which will amaze the visitor with the quantity and diversity of the life. Although the cove is a marine life refuge, certain species may be taken from the area.

section I

Introductory

Letter of Transmittal

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Serving the Active and Retired Members of:

City of San Juan Capistrano

County of Orange

Orange County Cemetery District

Orange County Children & Families Commission

Orange County Department of Education (closed to new members)

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

UCI Medical Center and Campus (closed to new members)

June 15, 2015

Board of Retirement
Orange County Employees Retirement System
2223 East Wellington Avenue, Suite 100
Santa Ana, CA 92701

Dear Board Members,

It is with great pleasure that we submit the Comprehensive Annual Financial Report (CAFR) of the Orange County Employees Retirement System (OCERS or System) as of and for the year ended December 31, 2014, the System's 70th year of operation.

OCERS

OCERS is a public retirement system that provides service retirement, disability, death and survivor benefits, administered in accordance with the County Employees Retirement Law of 1937 (Government Code Section 31450, et seq.), to its members. There are 20 systems in counties across the State of California regulated by the County Employees Retirement Law of 1937. These systems have provided secure retirement income that has supported the state's economy for seventy years.

Pursuant to certain provisions of the County Employees Retirement Law, 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 plenary authority over the administration of the System, which includes administering plan benefits and managing the System's assets. The Board of Retirement and OCERS' staff members are committed to act for the exclusive benefit of the plan and its participants, manage the assets of the plan prudently and administer benefits with impartiality. To fulfill this mandate, OCERS employs a skilled professional staff and independent consultants that operate under a robust system of governance, operational and fiduciary policies and procedures.

Currently, in addition to the System, OCERS' participating agencies include the County of Orange, one city, ten active special districts, and two special districts that are closed to new members (only one of which still has active employees).

While California faces one of the most severe droughts on record, Orange County is still home to some of the most well-known water destinations in the world. The theme for this year's CAFR, "Orange County's Beautiful Blue" is a tribute to some of the County's most popular beaches, lakes and other water-related destinations that visitors can still enjoy amidst the State's unprecedented drought.

Management Responsibility of Financial Reporting

OCERS' management is responsible for the complete and fair presentation of the financial information in accordance with generally accepted accounting principles (GAAP) in the United States. 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.

OCERS' Mission Statement and Objectives

The role of OCERS is to provide secure retirement and disability benefits, quality information concerning those benefits, and prompt, professional and courteous service that meets the highest standards of excellence. In carrying out that role, the Board of Retirement and staff are committed to act for the exclusive benefit of the plan and its participants, manage assets of the plan prudently, and administer benefits with impartiality.

In fulfilling our mission as a retirement system, OCERS' objectives are:

1. Excellent customer service, *providing*
2. Timely and accurate benefits, *based on*
3. Secure and reliable data, *funded by*
4. Prudently managed investments, *guided by*
5. Professional plan administration

Major Intitiatives and Significant Events

The following were major initiatives and significant events in the past year:

GASB 67 and 68

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial Reporting for Pension Plans,* an amendment of GASB Statement No. 25, effective for periods beginning after June 15, 2013 and Statement No. 68, *Accounting and Financial Reporting for Pensions,* an amendment of GASB Statement No. 27, effective for OCERS' Plan Sponsors for the fiscal year ending June 30, 2015. The purpose of these statements is to improve the decision-making usefulness of pension information included in the general-purpose external financial reports of governmental pension plans and increase transparency, consistency and comparability of pension information across governments.

OCERS has implemented GASB 67 for the year ended December 31, 2014. The new guidance has shifted financial reporting from a funding-based approach to an accounting-based approach. It is important to note that only the financial reporting has changed; the pension plan itself remains unchanged. For OCERS' Plan Sponsors, we have been working closely with them, as well as our actuary and auditors, in establishing an implementation plan for GASB 68 consisting of workshops, outreach efforts, and ongoing communication and support as they get ready to implement GASB 68 for the fiscal year ending June 30, 2015.

Pension Administration System Solution

Significant progress was made on the multi-year implementation of V3, a new Pension Administration System Solution (PASS). OCERS successfully completed its pre-user acceptance testing (pre-UAT) phase and is moving forward with the user acceptance testing (UAT) phase of the project. Expected to go-live in the fourth quarter of 2015, V3 will enhance operating efficiencies, as well as provide a new web-based portal for our members, Plan Sponsors and partners.

Technology Update

OCERS made significant improvements to its Member Information Center (MIC), including highlighting changes made by a member so that staff does not need to search and compare an old form to the new form to determine what the member changed; enabled deferred members to use change of address option; added a change phone number option; and added a feature that allows a member to print benefit award letters, saving significant staff time and providing faster service for members.

Key Staff Additions

After completing a competitive selection process, OCERS appointed Robert Valer as its new Chief Legal Counsel and internal candidate Suzanne Jenike as its new Assistant Chief Executive Officer, External Operations to replace Julie Wyne, who had previously held both positions prior to joining Sonoma County Employees Retirement Association as its new Administrator in December 2013.

Accounting Systems and Reports

OCERS' management is responsible for establishing a system of internal controls to safeguard assets and for the presentation of the accompanying basic financial statements. Oversight is provided by OCERS' Audit Committee, supported by internal auditing staff. Macias Gini & O'Connell, LLP (MGO) audited the accompanying basic financial statements and related disclosures. The financial audit provides reasonable assurance that OCERS' financial statements are presented in conformity with GAAP and are free from material misstatement. Internal controls are considered in assessing whether OCERS' operating policies and procedures are being adhered to and are sufficient to safeguard OCERS' assets. OCERS recognizes even sound internal controls have inherent limitations. 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 judgments by management.

The CAFR was prepared in accordance with GAAP and reporting guidelines set forth by GASB and the County Employees Retirement Law of 1937. 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.

Investment Activities

In accordance with state constitutional mandates, the OCERS' Board adopted a strategic asset allocation policy designed to ensure diversification among asset classes and achieve OCERS' long-term investment objectives. Although OCERS invests on a long-term horizon, short-term returns are important to the portfolio's investment strategy. Although our strategy serves us well in recessionary market periods when OCERS typically suffers less than other Systems, OCERS tends to lag in up-markets. 2014 was particularly impacted as the international segment of the portfolio produced negative returns while U.S. stocks appreciated 12%.

During 2014, the OCERS' investment portfolio returned 4.93%, gross of fees. This is considerably lower than the System's 7.25% long-term actuarial assumption; however, with the average years of service for a new OCERS' retiree being approximately 20, it is good to see that our annualized return over the last 20 years has been 8.36%, well exceeding our assumed earnings rate over the same period.

Pension Actuarial Funding Status

OCERS maintains a funding goal to establish contributions that fully fund the System's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. It also ensures that contributions are sufficient for each generation of active members to avoid intergenerational burden on future employees' contributions. 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 our assumptions and the differences are studied to determine whether changes in the contribution requirements are necessary. 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 latest experience investigation was completed during 2014 for plan years 2011 through 2013. The Board adopted changes in several assumptions that were incorporated into the 2014 actuarial valuation, but left the assumed rate of return at 7.25%.

At December 31, 2014, OCERS' funding status was 69.76% with an Unfunded Actuarial Accrued Liability (UAAL) of $4.96 billion. Average employer and employee contribution rates for the year ended December 31, 2014, were 39.32% and 12.87%, respectively.

Letter of Transmittal

(continued)

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 (IT costs), to twenty-one hundredths of one percent (0.21%) of OCERS' actuarial accrued liability. OCERS' administrative expense, net of IT costs, of $11.6 million was .07% of OCERS' actuarial accrued liability.

Certificate of Achievement

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 comprehensive annual financial report for the year ended December 31, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual 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 comprehensive annual financial 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.

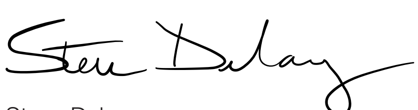
The GFOA also awarded its 2014 Award for Excellence in Government Finance for OCERS' state-of-the-art portfolio risk toolkit. Recognizing a need for increased portfolio risk assessment abilities, OCERS created its pension portfolio risk analytics program consisting of three components: 1) economic and market risk analytics, 2) portfolio-wide risk analytics, and 3) an analysis of micro risks at the manager level, including the creation of an economic dashboard designed to improve staff proficiency and accountability and to help Board members make better decisions.

OCERS was also the recipient of the Public Pension Coordinating Council's (PPCC) Public Pension Standards Award in recognition of compliance with professional standards for plan design and administration for the year ended December 31, 2013. This is awarded to a retirement system who 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.

Acknowledgements

I would like to take this opportunity to thank the members of the System for their continued confidence in OCERS during the past year. Also, I would like to express my thanks to the Board of Retirement for its dedicated effort in supporting the System throughout this past year. Finally, I 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,



Steve Delaney
Chief Executive Officer

Members of the Board of Retirement

As of December 31, 2014

Frank E. Eley
Chair Person
Elected by General Members

Charles E. Packard
Vice Chair Person
Appointed by the Board of Supervisors

David Ball
Appointed by the Board of Supervisors

Tom Beckett
Elected by Retired Members

Thomas E. Flanigan
Appointed by the Board of Supervisors

Shari L. Freidenrich
Ex-Officio Member
Treasurer-Tax Collector County of Orange

Roger Hilton
Elected by Safety Members

Wayne Lindholm
Appointed by the Board of Supervisors

Chris Prevatt
Elected by General Members

Ray Geagan
Alternate elected by Safety Members

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 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 of which one is the alternate member; one member is elected by the retirees; and the Treasurer of the County is an Ex-Officio member.

Executive Department

This department consists of the Chief Executive Officer (CEO) who implements and executes policies promulgated by the Board of Retirement. Two Assistant CEOs, an Internal Auditor, a Chief Investment Officer and a Chief Legal Officer assist the CEO in the daily operations of the System.

Investment Department

This department 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 monitoring investment performance objectives, adherence to investment guidelines, conducting due diligence visits to investment managers' sites, and interviewing prospective investment managers. This department 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 79 and 80 for the Schedules of Commissions and Investment Expenses.

External Operations Department

This department is comprised of the following divisions: Member Services and Communications.

The Member Services Division 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 transmittals, membership counseling, and retirement seminars. The Disability section of Member Services is responsible for reviewing claims and medical records; interviewing applicants and witnesses; preparing written reports of findings and recommendations; and making presentations to the Board of Retirement regarding the disposition of cases.

The Communications Division is responsible for developing and coordinating information for members and plan sponsors through publications, newsletters, seminars and publishing content to the web site.

Internal Operations Department

This department is comprised of the following divisions: Finance, Information Technology, and Administrative Services.

The Finance Division is responsible for all the financial records and reports of OCERS. This includes the preparation of the Comprehensive Annual Financial Report, monthly and quarterly financial statements and the annual operating budget. The Finance Division 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 Division is responsible for OCERS' network systems, personal computers, web site and databases, while providing programming and technical support to our Benefits Administration System. In addition, this division is responsible for the production of retiree payroll disbursements and administering all audio/visual services.

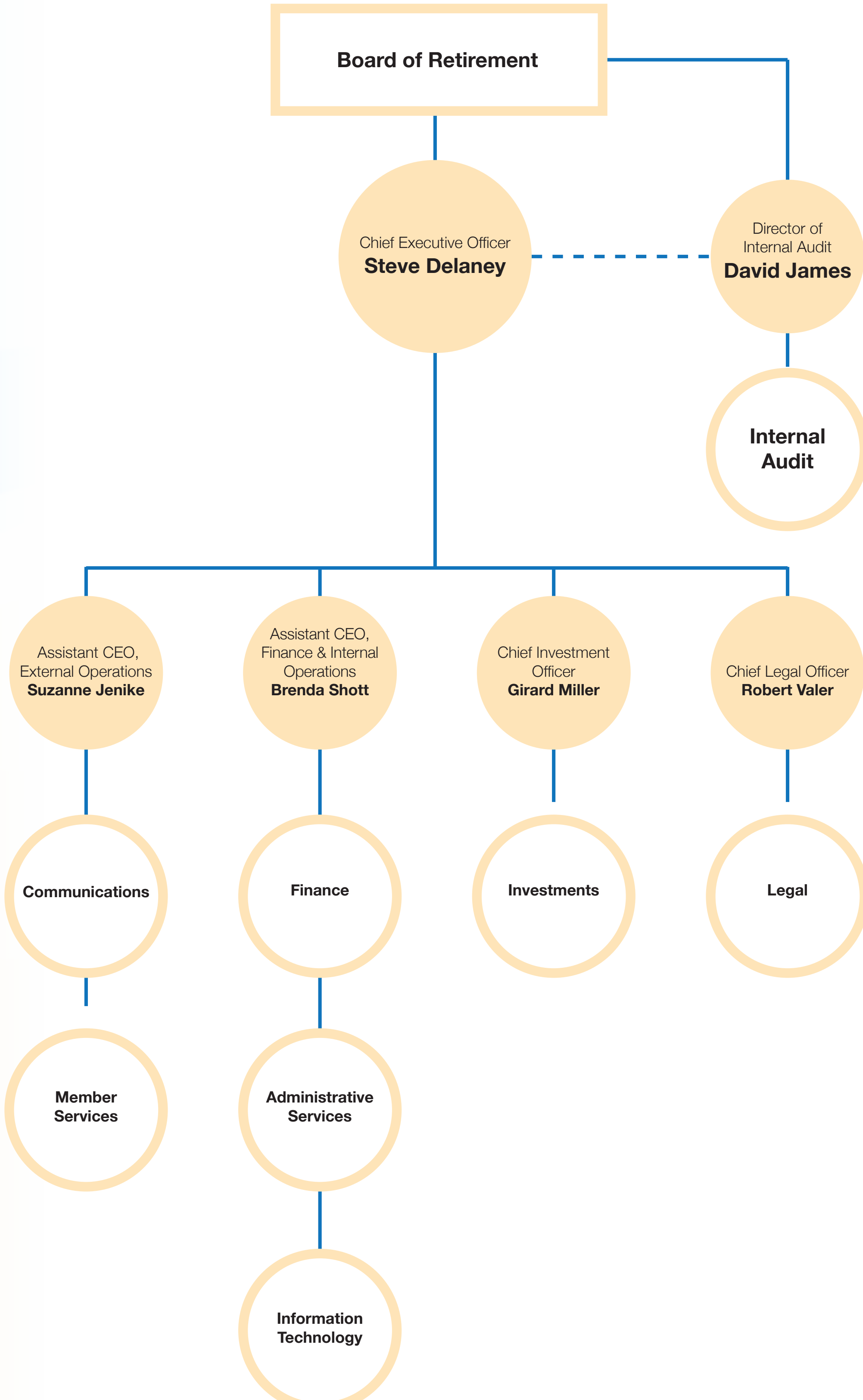
The Administrative Services Division is responsible for providing contract administration, purchasing, headquarters building administration, human resources and labor relations functions of OCERS.

Legal Department

This department provides legal advice and representation to the Board of Retirement and OCERS on a wide variety of issues. Among other things, this includes issues involving disability retirements, investments, legislation, vendor contracts, and family law.

Administrative Organization Chart

As of December 31, 2014



List of Professional Consultants

As of December 31, 2014

Actuary
The Segal Company

Investment Consultant
NEPC, LLC

Hedge Fund Consultant
Aksia, LLC

Real Estate Consultant
R.V. Kuhns & Associates, Inc.

Risk Reporting & Portfolio Review Services
BlackRock Financial Management, Inc.

Independent Auditor
Macias Gini & O'Connell, LLP

Investment Counsel
Foley and Lardner, LLP

Fiduciary Counsel
Reed Smith, LLP

Tax Counsel
Hanson Bridgett, LLP

Custodian
State Street Bank

Note: List of Investment Managers is located on page 83 of the Investment Section of this report.

Certificate of Achievement for Excellence in Financial Reporting

Public Pension Standards Award for Funding and Administration

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2014

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 H. Winkle

Alan H. Winkle
Program Administrator

Dana Point

Orange County, California

The city of Dana Point is named after Richard Henry Dana, Jr., a lawyer and politician who sailed as a crew member on the Brig Pilgrim from Boston to California in 1834. A replica of the Pilgrim resides in the Dana Point Harbor. The vessel is owned and operated by the Ocean Institute, a non-profit educational organization, dedicated to ocean awareness and preservation. Dana Point is also known for its fishing, boating and whale watching excursions.

section II
Financial

ORANGE COUNTY

OCERS

EMPLOYEES RETIREMENT SYSTEM

MGO Certified Public Accountants.

Newport Beach
4675 MacArthur Court, Suite 600
Newport Beach, CA 92660
949.221.0025

Sacramento

Walnut Creek

Oakland

LA/Century City

San Diego

Seattle

Independent Auditor's Report

To the Board of Retirement of the
Orange County Employees Retirement System
Santa Ana, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Orange County Employees Retirement System (the System), California, as of and for the year ended December 31, 2014, and the related notes to the financial statements which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

www.mgocpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Orange County Employees Retirement System, California, as of December 31, 2014, and the changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2 to the basic financial statements, the System implemented the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans- an Amendment of GASB Statement No. 25*, for the year ended December 31, 2014.

As discussed in Note 10, based on the actuarial valuation of the pension plan as of December 31, 2013 rolled forward to December 31, 2014, the total pension liability of participating employers exceeded the pension plan's fiduciary net position by $5.1 billion. The actuarial valuation is very sensitive to the underlying assumptions, including a discount rate of 7.25 percent, which represents the long-term expected rate of return.

As described in Note 11, based on the most recent actuarial valuation of the Orange County Fire Authority (the Authority) health care plan as of July 1, 2014, the Authority's independent actuary determined that the actuarial accrued liability exceeded the actuarial value of its assets by $142.1 million.

Our opinion is not modified with respect to these matters.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended December 31, 2013, from which such partial information was derived.

We have previously audited the System's 2013 financial statements, and we expressed an unmodified audit opinion on the financial statements in our report dated July 7, 2014. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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, Schedule of Funding Progress – OPEB Orange County Fire Authority and the Schedule of Employer Contributions – OPEB Orange County Fire Authority, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The other supplemental information, introductory, investment, actuarial and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental 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. Such 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 other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015 on our consideration of the 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 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 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.

Macias Gini & O'Connell LLP

Newport Beach, California
June 15, 2015

Management's Discussion and Analysis

This section presents Management's Discussion and Analysis (MD&A) of Orange County Employees Retirement System's (OCERS or System) financial performance and a summary of OCERS' financial position and activities as of and for the year ended December 31, 2014. A narrative overview and analysis is presented in conjunction with the Chief Executive Officer's Letter of Transmittal, included in Section I – Introductory to this Comprehensive Annual 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 is primarily responsible for administering retirement benefits as well as acting 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 an agency fund.

Financial Highlights

- The net position restricted for pension and other postemployment benefits as of December 31, 2014 and 2013 are $11.8 billion and $11.0 billion, respectively.
- The restricted fiduciary net position representing assets available to pay current and future member pension and health care benefits, increased $0.8 billion or 6.9%. The increase in fiduciary net position during 2014 is primarily from positive returns on investments and a net positive cash flow from contributions less deductions.
- Total additions to fiduciary net position decreased 24.1% from $1.9 billion in 2013 to $1.4 billion in 2014.
  - Net investment income decreased 56.6% from $1.2 billion in 2013 to $0.5 billion in 2014. The gross year-to-date rate of return on investments on a fair value basis was approximately 4.93% in 2014, down from 11.14% earned in 2013.
  - Contributions received from employers and employees totaled $925.7 million in 2014, an increase of 28.4% compared to 2013 contributions received of $720.8 million.
- Total deductions from fiduciary net position increased $46.2 million from $628.9 million in 2013 to $675.1 million in 2014.
  - Member pension benefit payments increased by $42.6 million or 7.4% in 2014 from $575.6 million to $618.2 million.
  - The number of retired members and beneficiaries receiving a benefit payment increased 4.6% from 14,505 payees at the end of 2013 to 15,169 payees as of December 31, 2014.
  - The average annual benefit paid to retired members and beneficiaries during 2014 was $40,756 an increase of 5.6% over the average annual benefit payment of $38,579 in 2013.
- The net pension liability of participating employers as calculated in the December 31, 2014 Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation is $5.1 billion which as a percentage of covered payroll is 320.57%. The plan fiduciary net position of $11.5 billion as a percentage of the total pension liability of $16.6 billion is 69.42%.
- Based upon the most recent actuarial valuation as of December 31, 2014 prepared by the OCERS' independent actuary, 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, increased from 65.99% at December 31, 2013 to 69.76% at December 31, 2014. If market gains and losses were recognized immediately, OCERS' funding status would increase to 69.63% at the end of 2014 compared to 67.65% at the end of 2013.

Overview of the Financial Statements

This MD&A serves 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 Governmental Accounting Standards Board (GASB). These pronouncements require OCERS to make certain disclosures and to report using the full accrual method of accounting.

OCERS implemented GASB Statement No. 67 (GASB 67), *Financial Reporting for Pension Plans*, during the year ended December 31, 2014 which replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50, *Pension Disclosures*. This implementation resulted in the separation of reporting requirements from funding requirements and an increase in the number of schedules included in the Required Supplementary Information Section, as well as new or expanded notes disclosed in the notes to the basic financial statements. 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 December 31; OCERS' fiscal year end. The difference between assets and liabilities is reported as "Net Position Restricted for Pension and Other Postemployment Benefits," representing funds available to pay benefits. The Statement of Fiduciary Net Position includes prior year-end balances for comparative purposes. Increases and decreases in Net Position Restricted for Pension and Other Postemployment Benefits, when analyzed over time, may serve as an indicator of whether OCERS' financial position is improving or deteriorating.

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 and Other Postemployment Benefits. For comparative purposes, prior year-end balances are also provided.

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. In addition, as a result of implementing GASB 67, the notes include expanded pension disclosures, including the components of the net pension liability, actuarial assumptions used to measure the total pension liability, the long-term expected real rate of return by asset class, and the sensitivity of the net pension liability to changes in the current discount rate.

Required Supplementary Information

The Required Supplementary Information (RSI) presents historical trend information related to the following plans reported in the Basic Financial Statements: pension plan and Orange County Fire Authority's retiree medical plan (the County of Orange maintains the financial reporting responsibility of its retiree medical plan, so it is not included in OCERS' RSI schedules). Prior to the implementation of GASB 67, the RSI for the pension plan contained schedules of funding progress and the actuarial assumptions and methods used from a funding valuation perspective. While the retiree medical plan continues to be reported on a funding value basis, the funding progress schedule for the pension plan has been moved to the Actuarial section of the CAFR and replaced by GASB 67 reporting schedules. These new schedules will be presented over ten years as information becomes available prospectively and include a schedule of changes in net pension liability and related ratios, schedule of money-weighted investment returns and a schedule of employer contributions. The information contained in both the pension and retiree medical plan schedules is based on separate actuarial valuations prepared for each benefit plan. The valuation reports include additional actuarial information that contributes to the understanding of the changes in the net pension liability of participating employers in the pension plan and the actuarial funding progress of the retiree medical plan as presented in the schedules. The actuarial information is based upon assumptions made regarding future events at the time the valuations were 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.

Other Supplemental Information

The Other Supplemental Information includes schedules pertaining to OCERS' administrative expenses, investment expenses, professional services and a statement of changes for the agency fund.

Financial Analysis

Table #1 and #2 compare and summarize OCERS' financial activity for the current and prior fiscal years.

Table #1 : Fiduciary Net Position

As of December 31, 2014 and 2013
(Dollars in Thousands)

	12/31/2014	12/31/2013	Increase / (Decrease)	Percentage Change
Assets				
Cash and Cash Equivalents	$ 374,907	$ 379,366	$ (4,459)	-1.2%
Securities Lending Collateral	201,317	305,339	(104,022)	-34.1%
Receivables	185,872	238,363	(52,491)	-22.0%
Investments at Fair Value	11,567,179	10,734,137	833,042	7.8%
Capital Assets, Net	21,482	17,579	3,903	22.2%
Total Assets	**12,350,757**	**11,674,784**	**675,973**	**5.8%**
Liabilites				
Obligations Under Securities Lending Program	201,317	305,339	(104,022)	-34.1%
Securities Purchased	87,709	109,663	(21,954)	-20.0%
Other	291,655	248,521	43,134	17.4%
Total Liabilities	**580,681**	**663,523**	**(82,842)**	**-12.5%**
Net Position Restricted for Pension and Other Postemployment Benefits	**$ 11,770,076**	**$ 11,011,261**	**$ 758,815**	**6.9%**

As of December 31, 2014, OCERS held net position of $11.8 billion restricted for pension and other postemployment benefits. Total assets increased $0.7 billion or 5.8% from 2013. The increase in assets is primarily attributed to an increase in fair value of investments. Investments at fair value increased due to a strong performance in domestic equity securities, which experienced historic highs, private equity and real estate investments. These gains were offset by a poor performance in international investments, including international equity and emerging market debt. Earnings from dividends, and investment of proceeds received from prepaid contributions also contributed to the increase in the fair value of investments. Securities lending collateral decreased $104 million due to a reduction in activity in the securities lending program. Receivables decreased from the prior year due to the timing of investments for unsettled trades which occurred near year-end being less than in the prior year. Capital assets increased $3.9 million due to continued progress in implementing the new Pension Administration Software System (V3).

The decrease in total liabilities is primarily a result of a reduction in securities lending program and the timing of unsettled security purchases. This decrease is offset by increases in other liabilities of unearned contributions of $35.5 million, retiree payroll payable of $3.6 million and additional liabilities of $4.0 million. The increase in unearned contributions is attributed to larger prepaid employer contributions received from Plan Sponsors in 2014 for the 2014-2015 fiscal year as a result of higher contribution rates and a lower discount rate of 7.25% compared to 7.75% in the prior year that went into effect on July 1, 2014.

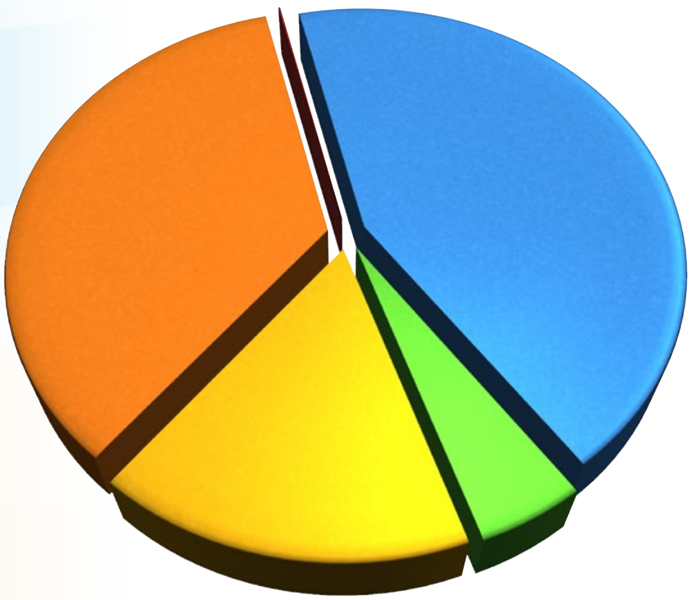
Table #2 : Changes in Fiduciary Net Position

For the Years Ended December 31, 2014 and 2013
(Dollars in Thousands)

	12/31/2014	12/31/2013	Increase / (Decrease)	Percentage Change
Additions				
Employer Pension Contributions	$ 625,520	$ 427,095	$ 198,425	46.5%
Employer Health Care Contributions	67,519	84,406	(16,887)	-20.0%
Employee Pension Contributions	232,656	209,301	23.355	11.2%
Net Investment Income	506,717	1,166,858	(660,141)	-56.6%
Net Securities Lending Income	1,465	1,478	(13)	-0.9%
Total Additions	**1,433,877**	**1,889,138**	**(455,261)**	**-24.1%**
Deductions				
Participant Benefits - Pension	618,233	575,633	42,600	7.4%
Participant Benefits - Health Care	32,437	30,843	1,594	5.2%
Death Benefits	715	787	(72)	-9.1%
Member Withdrawals and Refunds	11,730	9,864	1,866	18.9%
Administrative Expenses - Pension	11,905	11,705	200	1.7%
Administrative Expenses - Health Care	42	34	8	23.5%
Total Deductions	**675,062**	**628,866**	**46,196**	**7.3%**
Increase in Net Position Restricted for Pension and Other Postemployment Benefits	**758,815**	**1,260,272**	**(501,457)**	**-39.8%**
Net Position Restricted for Pension and Other Postemployment Benefits				
Beginning of the Year	11,011,261	9,750,989		
End of Year	**$ 11,770,076**	**$ 11,011,261**		

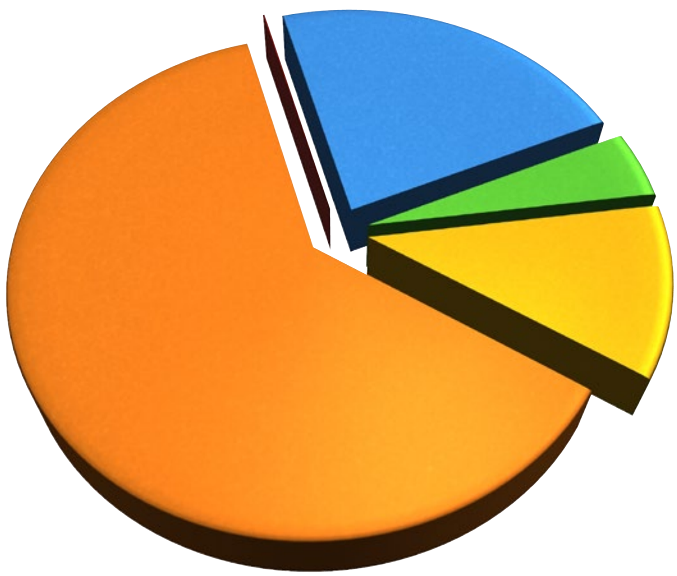
Additions to Fiduciary Net Position

Additions to fiduciary net position decreased 24.1% in 2014. Total additions for the year ended December 31, 2014 were $1.4 billion compared to $1.9 billion for the same period in 2013. The decrease is comprised of an increase in total contributions of $204.9 million and a decrease in investment income of $660 million. The increase in employer and employee pension contributions, of 46.5% and 11.2% respectively, is a direct result of increases in the average employer and employee contribution rates, and $149.2 million in proceeds received from plan sponsors to pay down their UAAL. The decrease of $16.9 million in employer health care contributions is primarily due to the closure of the investment account of the OCFA OPEB 115 Agency Fund in 2013. In 2013, a $15.4 million employer contribution was made to this fund as a result of the closure. The decrease in investment income is due to lower returns on the investment portfolio, specifically international investments, during 2014. International markets, specifically the European and Japanese markets have had struggling economies with little growth over the past year. Investment returns at gross for the year ended December 31, 2014 were 4.93% compared to prior year's return of 11.14%.



Additions at 12/31/2014

- Employer Pension Contributions 43.62%
- Employer Health Care Contributions 4.71%
- Employee Pension Contributions 16.23%
- Net Investment Income 35.34%
- Net Securities Lending Income 0.10%

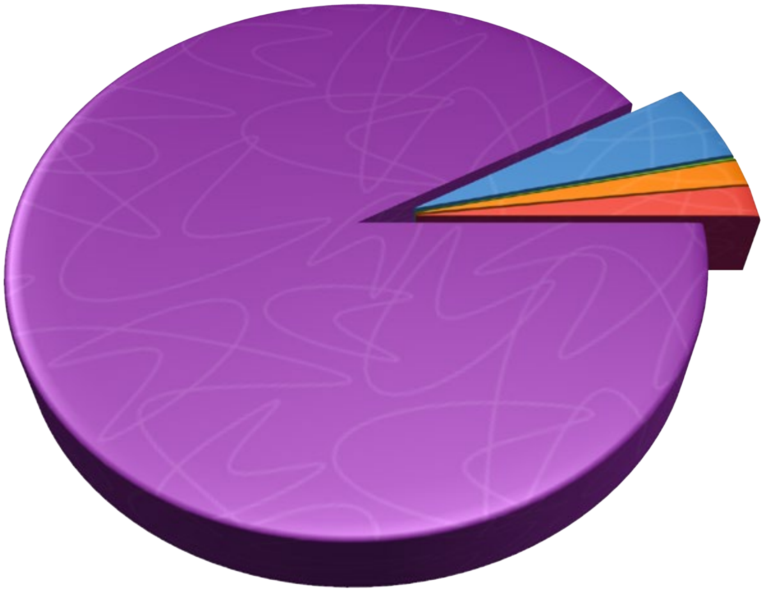


Additions at 12/31/2013

- Employer Pension Contributions 22.61%
- Employer Health Care Contributions 4.46%
- Employee Pension Contributions 11.08%
- Net Investment Income 61.77%
- Net Securities Lending Income 0.08%

Deductions from Fiduciary Net Position

Deductions from fiduciary net position increased 7.3% compared to the prior year 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 an increase in the average benefit received. Total benefit recipients increased by 664, from 14,505 to 15,169. The average annual benefit increased from $38,579 to $40,756.

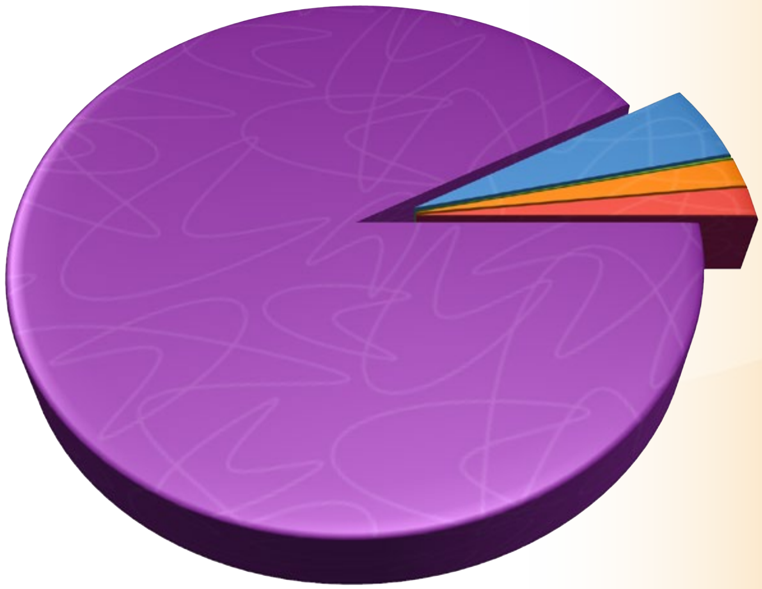


Deductions at 12/31/2014

- Participant Benefits - Pension 91.52%
- Participant Benefits - Health Care 4.90%
- Death Benefits 0.13%
- Member Withdrawals and Refunds 1.57%
- Administrative Expenses - Pension 1.87%
- Administrative Expenses - Health Care 0.01%

Deductions at 12/31/2013

- Participant Benefits - Pension 91.58%
- Participant Benefits - Health Care 4.80%
- Death Benefits 0.11%
- Member Withdrawals and Refunds 1.74%
- Administrative Expenses - Pension 1.76%
- Administrative Expenses - Health Care 0.01%



OCERS Membership

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

Table #3 : Membership Data

As of December 31, 2014 and 2013

	12/31/2014	12/31/2013	Increase	Percentage Change
Active Members	21,460	21,368	92	0.4%
Retired Members	15,169	14,505	664	4.6%
Deferred Members	4,789	4,613	176	3.8%
Total Membership	**41,418**	**40,486**	**932**	**2.3%**

Total OCERS' membership increased during 2014 with a net increase of 932 members. The number of active members increased by 92 or 0.4% and the number of retirees increased by 664 or 4.6% suggesting that employers are continuing at a slow pace to replace employees that have retired. In previous years, during the tough economic times, employers were faced with strained budgets and held back on filling open positions which resulted in a decrease to the number of active members.

Actuarial Valuations

In order to determine whether Net Position Restricted for Pension Benefits will be sufficient to meet future obligations, a calculation of the actuarial funded status is required. 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. The purpose of the valuation is to determine the amount of future contributions by the employees (members) and employers (plan sponsors) will be required to pay all expected future benefits. OCERS utilizes an independent actuarial firm, The Segal Company (Segal), to prepare an annual valuation. For the year ending December 31, 2014, Segal prepared two actuarial valuations; a Governmental Accounting Standards Board (GASB) Statement 67 Actuarial Valuation as of December 31, 2014 used for financial reporting and the Annual Actuarial Valuation as of December 31, 2014 used for funding purposes and establishing employer and employee contribution rates.

In order 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 in which members will retire. The actuary must also utilize assumptions with regards to how the assets will perform over time. A key assumption in this regard is the expected rate of return which has remained at 7.25% since the December 31, 2012 valuation. All assumptions used by the actuary are reviewed and adjusted, as required, on a triennial basis by the Board of Retirement. The most recent triennial experience study was adopted by the Board on September 23, 2014, for the three-year experience period ended December 31, 2013. As a result, the following assumptions were changed: inflation was lowered from 3.25% to 3.00%; active member payroll increases were lowered from 3.75% to 3.50%; and projected salary increases for general members were lowered from a range of 4.75% to 13.75% to a range of 4.25% to 13.50% and for safety members, the range was changed from 4.75% to 17.75% to 5.00% to 17.50%. In addition, mortality rates were adjusted for after service retirement to reflect shorter life expectancies for general members and longer life expectancies for safety members and longer life expectancies for both general and safety members for after disability retirement.

The GASB 67 valuation provides the calculation of the employers' total pension liability as required by the new standard. In order to accommodate the annual reporting requirements of our plan sponsors in a timely manner, the valuation was prepared using the December 31, 2013, valuation as the basis for calculating the total pension liability (TPL). The TPL was then revalued using new assumptions approved by the Board of Retirement in the most recent triennial study as previously discussed. The revalued TPL was then rolled forward to December 31, 2014. Based on this actuarial valuation, the TPL was $16.6 billion compared to a fiduciary net position of $11.5 billion, resulting in the employers' net pension liability (NPL) of $5.1 billion and a fiduciary net position as a percentage of the TPL of 69.42%. The NPL as a percentage of covered payroll was 320.57%.

In the actuarial valuation for the pension plan as of December 31, 2014, the ratio of the valuation value of assets to actuarial accrued liabilities increased from 65.99% to 69.76%, primarily as a result of lower than expected salary and COLA increases, additional UAAL payments from several plan sponors, and changes in actuarial assumptions. 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 market value of assets as of the valuation date the funded status of OCERS' pension plan increased from 67.65%, in 2013 to 69.63% in 2014.

Investment and Economic Summary

During 2014, the U.S. economy experienced solid growth, labor markets improved with strong job gains and lower unemployment, resulting in growth in the U.S. investment markets. Overall Gross Domestic Product (GDP) growth improved, unemployment fell to 5.6% for 2014 from 6.7% in 2013, and the consumer confidence index held at 78.1 creating a favorable environment for U.S. stocks. Foreign investment markets, especially European and Asian, have shown signs of weakness. The European Central Bank is expected to launch a bond-buying program, quantitative easing, in an attempt to stimulate the European investment markets and economy, and counter deflation. In contrast, the U.S. Federal Reserve Board concluded their bond-buying program in October 2014 based on improvement in the outlook for the labor market and the underlying strength of the broader economy. During 2014, OCERS decreased its holdings in international equity securities and global fixed income, and increased its holdings in diversified credit, emerging markets equities and absolute return investments in compliance with the adopted investment policy. The current portfolio allocation is expected to provide a stronger position to withstand future potential market fluctuations and maintain a more risk-balanced approach.

OCERS' gross investment return for 2014 was 4.93% and 4.73% net of fees, primarily due to the strong performance of domestic and private equity securities, and real estate investments. The rate of return on OCERS' investment portfolio is an integral component of the annual additions to the pension plan as total investment income is typically one of the largest components of the plan's annual additions to retirement plan assets. Net investment income added over $0.5 billion to plan assets in 2014.

Request for Financial Information

This Comprehensive Annual Financial Report is designed to provide the Board of Retirement, plan members, taxpayers and investment managers with a general overview of OCERS' finances 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
2223 East Wellington Avenue, Suite 100
Santa Ana, CA 92701

Huntington Beach Pier

Orange County, California

The Huntington Beach Pier and the city of Huntington Beach, also known as Surf City USA, came into existence in 1904. This iconic landmark is an integral part of the local surfing community. The pier was rebuilt after two storms in the 1980's, and currently extends 1,850 feet into the Pacific Ocean which makes it one of the longest piers on the west coast.

section II

Financial

Basic Financial Statements

Statement of Fiduciary Net Position

As of December 31, 2014
(with summarized comparative amounts as of December 31, 2013)
(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund-County	Health Care Fund-OCFA	OPEB 115 Agency Fund	Total Fund	Comparative Totals 2013
Assets						
Cash and Short-Term Investments						
Cash and Cash Equivalents	$ 367,395	$ 6,250	$ 1,145	$ 117	$ 374,907	$ 379,366
Securities Lending Collateral	197,345	3,357	615	-	201,317	305,339
Total Cash and Short-Term Investments	564,740	9,607	1,760	117	576,224	684,705
Receivables						
Investment Income	20,323	344	61	-	20,728	18,076
Securities Sales	138,818	2,361	432	-	141,611	91,058
Contributions	17,470	-	-	-	17,470	14,857
Foreign Currency Forward Contracts (Net)	3,878	66	12	-	3,956	2,651
Other Receivables	2,066	35	6	-	2,107	111,721
Total Receivables	182,555	2,806	511	-	185,872	238,363
Investments at Fair Value						
Domestic Equity Securities	1,972,575	33,558	6,149	6,997	2,019,279	1,871,819
International Equity Securities	1,105,928	18,813	3,445	2,521	1,130,707	1,402,625
Global Equity Securities	558,246	9,496	1,739	-	569,481	563,003
Domestic Fixed Income	1,353,799	23,030	4,218	4,417	1,385,464	1,311,928
Global Fixed Income	280,570	4,773	874	-	286,217	374,466
Real Estate	1,090,588	18,552	3,398	-	1,112,538	1,011,157
Diversified Credit	888,383	15,112	2,768	-	906,263	607,201
Emerging Markets Equity	692,157	11,774	2,156	-	706,087	471,019
Emerging Markets Debt	326,843	5,560	1,018	-	333,421	272,359
Real Return	927,433	15,777	2,889	-	946,099	952,894
Absolute Return	1,597,141	27,169	4,976	-	1,629,286	1,452,842
Private Equity	531,637	9,044	1,656	-	542,337	442,824
Total Investments at Fair Value	11,325,300	192,658	35,286	13,935	11,567,179	10,734,137
Capital Assets, Net	21,482	-	-	-	21,482	17,579
Total Assets	**12,094,077**	**205,071**	**37,557**	**14,052**	**12,350,757**	**11,674,784**
Liabilities						
Obligations Under Securities Lending Program	197,345	3,357	615	-	201,317	305,339
Securities Purchased	85,978	1,463	268	-	87,709	109,663
Unearned Contributions	207,829	-	-	-	207,829	172,348
Retiree Payroll Payable	52,403	2,443	222	-	55,068	51,502
Other	14,416	245	45	-	14,706	11,508
Due to Employers	-	-	-	14,052	14,052	13,163
Total Liabilities	**557,971**	**7,508**	**1,150**	**14,052**	**580,681**	**663,523**
Net Position Restricted for Pension and Other Postemployment Benefits	**$ 11,536,106**	**$ 197,563**	**$ 36,407**	**$ -**	**$ 11,770,076**	**$ 11,011,261**

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

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2014
(with summarized comparative amounts for the Year Ended December 31, 2013)
(Dollars in Thousands)

	Pension Trust Fund	Health Care Fund-County	Health Care Fund-OCFA	Total Fund	Comparative Totals 2013
Additions					
Contributions					
Employer	$ 625,520	$ 64,852	$ 2,667	$ 693,039	$ 511,501
Employee	232,656	-	-	232,656	209,301
Total Contributions	858,176	64,852	2,667	925,695	720,802
Investment Income					
Net Appreciation in Fair Value of Investments	312,148	4,213	995	317,356	1,025,835
Interest on:					
Domestic and Global Fixed Income	53,279	908	169	54,356	58,749
Cash with County Treasurer	1	-	-	1	2
Domestic Dividends	2,695	46	9	2,750	3,090
Global Dividends	63,446	1,081	201	64,728	38,232
Real Estate Income	35,421	603	112	36,136	43,072
Private Equity	70,918	1,208	224	72,350	38,404
Less: Investment Management Fees	(29,791)	(508)	(94)	(30,393)	(30,289)
Foreign Income Tax Expense/Other	(10,013)	(171)	(32)	(10,216)	(8,986)
Other Investment Expenses	(2,881)	(49)	(9)	(2,939)	(3,320)
Securities Lending Revenue	1,797	31	6	1,834	2,015
Less: Securities Lending Fees	(362)	(6)	(1)	(369)	(537)
Net Securities Lending Revenue	1,435	25	5	1,465	1,478
Commission Recapture-Net/Other	2,537	43	8	2,588	2,069
Net Investment Income	499,195	7,399	1,588	508,182	1,168,336
Total Additions	**1,357,371**	**72,251**	**4,255**	**1,433,877**	**1,889,138**
Deductions					
Participant Benefits	618,233	29,299	3,138	650,670	606,476
Death Benefits	715	-	-	715	787
Member Withdrawals and Refunds	11,730	-	-	11,730	9,864
Administrative Expenses	11,905	20	22	11,947	11,739
Total Deductions	**642,583**	**29,319**	**3,160**	**675,062**	**628,866**
Net Increase	**714,788**	**42,932**	**1,095**	**758,815**	**1,260,272**
Net Position Restricted For Pension and Other Post-employment Benefits, Beginning of Year	10,821,318	154,631	35,312	11,011,261	9,750,989
Ending Net Position Restricted For Pension and Other Postemployment Benefits	**$ 11,536,106**	**$ 197,563**	**$ 36,407**	**$ 11,770,076**	**$ 11,011,261**

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

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 multi-employer defined benefit pension plan for the County of Orange, City of San Juan Capistrano, and thirteen special districts: Orange County Cemetery District, Orange County Children and Families Commission, Orange County Department of Education, 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, Superior Court of California, Orange County Transportation Authority, Transportation Corridor Agencies and the University of California, Irvine Medical Center and Campus. The Orange County Department of Education and the University of California, Irvine Medical Center and Campus are closed to new member participation and only the latter has remaining active employees. Capistrano Beach, Cypress Recreation & Parks District, Orange County Vector Control District and City of Rancho Santa Margarita are no longer active plan sponsors, 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 after September 21, 1979 and use their highest three-year average salary to determine their retirement allowance. Member 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' plan sponsors, with the exception of a provision adopted in 2014 that allows new members over the age of 65 to opt out of the plan. Active members are categorized as vested in the table below upon accumulating five years of accredited service or attaining 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 **www.ocers.org/member_active/spd.htm**.

The following table is a summary of OCERS' general and safety membership as of December 31, 2014, 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 Deferred Members Benefits):

Notes to the Basic Financial Statements

NOTE 1 : Plan Descriptions (continued)

OCERS Membership (General Members)

as of December 31, 2014

	Rate Group	Benefit Plan	Tier	Active Vested	Active Non-Vested	Retired Members & Beneficiaries	Deferred Members	Total
	1	A	I	8	-	407	3	418
	1	B	II	869	122	305	214	1,510
	1	U	II-PEPRA	-	543	-	63	606
Sub-Total				**877**	**665**	**712**	**280**	**2,534**
	2	A	I	-	1	3,639	40	3,680
	2	B	II	3	13	1,965	940	2,921
	2	I	I	92	-	1,094	-	1,186
	2	J	II	11,294	792	3,383	2,158	17,627
	2	O	I	-	-	-	-	-
	2	P	II	18	204	2	69	293
	2	S	II	-	6	-	2	8
	2	T	II-PEPRA	3	1,264	3	92	1,362
	2	U	II-PEPRA	1	71	-	4	76
Sub-Total				**11,411**	**2,351**	**10,086**	**3,305**	**27,153**
	3	A	I	-	-	99	1	100
	3	B	II	5	49	70	35	159
	3	G	I	1	-	29	-	30
	3	H	II	457	37	187	56	737
	3	U	II-PEPRA	-	62	-	5	67
Sub-Total				**463**	**148**	**385**	**97**	**1,093**
	4	H	II	-	-	-	1	1
Sub-Total				**-**	**-**	**-**	**1**	**1**
	5	A	I	28	-	383	7	418
	5	B	II	1,155	271	788	529	2,743
	5	U	II-PEPRA	-	-	-	-	-
Sub-Total				**1,183**	**271**	**1,171**	**536**	**3,161**
	9	A	I	-	-	4	-	4
	9	B	II	-	-	10	12	22
	9	M	I	-	-	-	-	-
	9	N	II	49	6	20	39	114
	9	U	II-PEPRA	-	10	1	1	12
Sub-Total				**49**	**16**	**35**	**52**	**152**
	10	A	I	-	-	8	-	8
	10	B	II	-	-	37	13	50
	10	I	I	-	-	17	-	17
	10	J	II	184	9	70	77	340
	10	M	I	-	-	-	-	-
	10	N	II	-	23	-	2	25
	10	U	II-PEPRA	-	35	-	12	47
Sub-Total				**184**	**67**	**132**	**104**	**487**
	11	A	I	-	-	4	-	4
	11	B	II	-	-	3	-	3
	11	M	I	-	-	-	-	-
	11	N	II	18	2	2	2	24
	11	U	II-PEPRA	-	1	-	-	1
Sub-Total				**18**	**3**	**9**	**2**	**32**
Total General				**14,185**	**3,521**	**12,530**	**4,377**	**34,613**

Notes to the Basic Financial Statements

NOTE 1 : Plan Descriptions (continued)

OCERS Membership (Safety Members)

as of December 31, 2014

	Rate Group	Benefit Plan	Tier	Active Vested	Active Non-Vested	Retired Members & Beneficiaries	Deferred Members	Total
	6	C	I	-	-	90	-	90
	6	D	II	-	-	45	-	45
	6	E	I	2	-	42	1	45
	6	F	II	805	32	106	169	1,112
	6	V	II-PEPRA	-	4	-	-	4
Sub-Total				**807**	**36**	**283**	**170**	**1,296**
	7	C	I	-	-	523	-	523
	7	D	II	1,476	1	230	103	1,810
	7	E	I	-	-	285	-	285
	7	F	II	45	324	746	91	1,206
	7	Q	I	-	-	-	-	-
	7	R	II	-	103	-	8	111
	7	V	II-PEPRA	-	-	-	2	2
Sub-Total				**1,521**	**428**	**1,784**	**204**	**3,937**
	8	C	I	-	-	27	-	27
	8	D	II	-	-	71	8	79
	8	E	I	-	-	17	-	17
	8	F	II	644	223	457	29	1,353
	8	Q	I	-	-	-	-	-
	8	R	II	-	35	-	-	35
	8	V	II-PEPRA	-	60	-	1	61
Sub-Total				**644**	**318**	**572**	**38**	**1,572**
Total Safety				**2,972**	**782**	**2,639**	**412**	**6,805**
Grand Total				**17,157**	**4,303**	**15,169**	**4,789**	**41,418**

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 Public Employees Pension Reform Act (PEPRA)), at any age with thirty years of service credit (twenty years 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, 2014 are as follows:

NOTE 1 : Plan Descriptions (continued)

Rate Groups and Benefit Plans

As of December 31, 2014

Rate Group	Plan Type	Benefit Plan	Benefit Formula per Year of Service	Sponsoring Agency
#1	General	A	2.0% @ 57 or 1.67% @ 57.5	County of Orange; OC In-Home Supportive Services Public Authority; OC Department of Education & UCI Medical Center and Campus (Capistrano Beach, Cypress Recreation and Parks, and Vector Control are no longer active participants)
		B	2.0% @ 57 or 1.67% @ 57.5	
		U	2.5% @ 67 PEPRA	
#2	General	A	2.0% @ 57 or 1.67% @ 57.5	City of San Juan Capistrano; LAFCO; OCERS; Superior Court of California, County of Orange; County of Orange; & OC Children and Families Commission
		B	2.0% @ 57 or 1.67% @ 57.5	
		I	2.7% @ 55	
		J	2.7% @ 55	
		O	1.62% @ 65	
		P	1.62% @ 65	
		S	2.0% @ 57	
		T	1.62% @ 65 PEPRA	
		U	2.5% @ 67 PEPRA	
#3	General	A	2.0% @ 57 or 1.67% @ 57.5	OC Sanitation District & OC Law Library
		B	2.0% @ 57 or 1.67% @ 57.5	
		G	2.5% @ 55	
		H	2.5% @ 55	
		U	2.5% @ 67 PEPRA	
#4	General	H	2.5% @ 55	Rancho Santa Margarita (no longer active participant)
#5	General	A	2.0% @ 57 or 1.67% @ 57.5	OC Transportation Authority
		B	2.0% @ 57 or 1.67% @ 57.5	
#6	Safety	C	2.0% @ 50	County of Orange (Probation)
		D	2.0% @ 50	
		E	3.0% @ 50	
		F	3.0 % @ 50	
		V	2.7% @ 57% PEPRA	
#7	Safety	C	2.0% @ 50	County of Orange (Law Enforcement)
		D	2.0% @ 50	
		E	3.0% @ 50	
		F	3.0% @ 50	
		Q	3.0% @ 55	
		R	3.0% @ 55	
		V	2.7% @ 57 PEPRA	
#8	Safety	C	2.0% @ 50	OC Fire Authority
		D	2.0% @ 50	
		E	3.0% @ 50	
		F	3.0% @ 50	
		Q	3.0% @ 55	
		R	3.0% @ 55	
		V	2.7% @ 57 PEPRA	
#9	General	A	2.0% @ 57 or 1.67% @ 57.5	Transportation Corridor Agencies
		B	2.0% @ 57 or 1.67% @ 57.5	
		M	2.0% @ 55	
		N	2.0% @ 55	
		U	2.5% @ 67 PEPRA	

Notes to the Basic Financial Statements

NOTE 1 : Plan Descriptions (continued)

Rate Groups and Benefit Plans (continued)

As of December 31, 2014

Rate Group	Plan Type	Benefit Plan	Benefit Formula per Year of Service	Sponsoring Agency
#10	General	A	2.0% @ 57 or 1.67% @ 57.5	
		B	2.0% @ 57 or 1.67% @ 57.5	
		I	2.7% @ 55	
		J	2.7% @ 55	OC Fire Authority
		M	2.0% @ 55	
		N	2.0% @ 55	
		U	2.5% @ 67 PEPRA	
#11	General	A	2.0% @ 57 or 1.67% @ 57.5	
		B	2.0% @ 57 or 1.67% @ 57.5	
		M	2.0% @ 55	OC Cemetery District
		N	2.0% @ 55	
		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, the member is entitled to withdraw the employee contributions made, together with accumulated interest, unless the member enters a reciprocal retirement system within 180 days and elects to leave their accumulated contributions on deposit with OCERS and 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 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).

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 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 allowance.

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 date of death, or a monthly allowance equal to 50% of the member's monthly compensation if the death was found to be service-connected.

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 prior calendar year. The cost-of-living adjustment is limited to a maximum increase or decrease of three percent per year as established by the Board of Retirement. The 2014 cost-of-living adjustment ranged from 1% to 3% based on the date benefit recipients began receiving benefits.

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, 2014 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) and Orange County Fire Authority (OCFA) postemployment health care plan trusts established under Internal Revenue Code section 401(h) which are reported as other postemployment benefit trust funds in OCERS annual financial statements. Health care assets for the 401(h) trust 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 the OCFA.

In July 2007, the County of Orange established under Internal Revenue Code both a 115 trust and a 401(h) trust as a funding source 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 the County's 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 of Orange. 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 GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. 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**.

In order to be eligible to receive the County of Orange Retiree Medical Grant (Grant) upon retirement, the employee must have completed at least ten years of continuous County service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the Plan and be able to receive a monthly benefit payment from OCERS. To qualify as a retiree as defined by the Plan, the employee upon retirement must be at least 50 years of age or have at least 20 years of service for a safety member of OCERS or at least 30 years of service for a general member of OCERS.

Employees represented by the American Federation of State, County and Municipal Employees (AFSCME) who were employed on or after September 30, 2005 are not eligible for the Grant. Employees represented by the Association of Orange County Deputy Sheriffs (AOCDS) who were hired on or after October 12, 2007 are not eligible for the Grant or lump sum payment. Law enforcement management employees who were hired on or after June 19, 2009 are not eligible for the Grant.

The monthly Grant amount is determined by a formula that multiplies a base number by the number of years of qualifying County employment up to a maximum of 25 years. The base number for calendar year 2014 is $20.51 per year of County service, and the maximum monthly Grant is $512.75. The amount of the Grant is applied toward the monthly health plan premium and/or reimburses Medicare premiums paid by the retiree for retiree and dependent coverage with the retiree obligated to pay the remaining balance. Any grant in excess of the monthly health plan and/or Medicare premium payable is forfeited.

Notes to the Basic Financial Statements

NOTE 1 : Plan Descriptions (continued)

The Grant is reduced by 50% once the retiree becomes Medicare A and B eligible. Retirees who were age 65 and/or Medicare A and B eligible on the effective date are not subject to the Medicare reduction. The Grant is also reduced by 7.5% for each year of age prior to age 60 and increased by 7.5% for each year of age after age 60 up to age 70 for employees retiring after the effective date. The effective date varies by labor agreement. Safety employees and disability retirements are exempt from the age adjustment. The base number for the Grant is adjusted annually based on a formula defined in the Plan document with a maximum increase/decrease of 3%. Surviving dependents of a deceased employee or retiree eligible for the Grant are entitled to receive 50% of the Grant that the employee/retiree was eligible to receive.

AFSCME employees are not subject to the Medicare reduction or age adjustment. In addition, the base number for the Grant is adjusted annually with a maximum increase/decrease of 5%. The base number for calendar year 2014 is $23.46 per year of County service, and the maximum monthly Grant is $586.50.

As trustee of OCFA's 401(h) OPEB trust fund, the sole source of funding for OCFA's post-employment health care plan, OCERS has taken financial reporting responsibility for this plan. All OCFA retirees and full-time employees hired prior to January 1, 2007, are eligible to participate in the OCFA health care plan. Eligible employees who are credited with at least one year of service are eligible to receive Plan benefits upon retirement. Participants must be covered under a qualified health plan, Medicare or a recognized health insurance plan. In 2014, retired OCFA members received $22.07 per year of creditable service, with a maximum monthly benefit of $551.75 based upon 25 or more years of creditable service.

Postemployment Health Care
Plan Membership - OCFA

	July 1, 2014
Active Participants	697
Retired Participants and Surviving Spouses	573
Terminated Participants	13
Total Plan Participants*	**1,283**

* Membership count based upon latest actuarial valuation

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 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.

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 pursuant to an agreement established in accordance with Internal Revenue Code section 115 (115 Plan). The OCTA 115 Plan provides postemployment health care benefits to retired members with at least ten years of OCTA service. 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.

An Agency Fund is used to account for 115 Health Care Plan assets held by OCERS in an investment capacity with the revocable trust assets reported being offset by a liability for the resources held on behalf of OCTA. Additional information regarding the OCTA Health Care Plan is available by contacting OCTA at 550 S. Main Street, Orange, CA 92868 or their website at **http://www.octa.net**.

NOTE 2 : Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States (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.

Investment Policy and Valuation

State Street Bank and Trust (State Street) maintains custody of the majority of OCERS' investments held as of December 31, 2014. Investments are authorized by state statute and OCERS' Investment Policy Statement (refer to Note 3 - Investments for further information). 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, 2014 is detailed in Section III - 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 domestic and global fixed income; domestic, international, and global equities; emerging markets equity and debt; private equity; real return strategies; absolute return strategies; opportunistic strategies; and real estate. 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 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. At December 31, 2014 the OCIP had a weighted average maturity of 350 days. The Orange County Money Market Fund is rated AAAm by Standard & Poor's. The Extended Fund is not rated. For further information regarding the OCIP, refer to the County of Orange Comprehensive Annual Financial Report.

Equities

The majority of OCERS' domestic, international and global securities, including those traded in emerging markets, 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.

Debt Securities

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.

Real Estate

OCERS holds real estate assets directly and in commingled real estate funds. Real estate investments owned directly are appraised annually by independent third party appraisers in accordance with the Uniform Standards of Professional Appraisal Practice. Properties held in commingled pools are subject to

Notes to the Basic Financial Statements

NOTE 2 : Summary of Significant Accounting Policies (continued)

regular internal appraisals by investment management firms/general partners with independent third party appraisals accomplished at regular intervals. Primary determinants of fair value include market and property type specific information which typically involve a degree of expert judgment.

OCERS engages real estate management firms to assist in the day-to-day operations of the real estate in portfolio that is directly held by OCERS. At December 31, 2014, the estimated fair value of OCERS' real estate held directly was $187.4 million. The total real estate portfolio was $1.1 billion.

OCERS' Investment Committee has approved a maximum fifty percent (50%) leverage limit for the total real estate portfolio at the time of financing. Additionally, leverage targets are established for each investment style based on the risk/return profile of the underlying investment. Established leverage limits by investment style are as follows:

- Core Real Estate: limited to 50% of the individual asset market value at the time of financing with leverage limits at the portfolio level of 40%.

- Non-Core Real Estate: accessed through commingled funds that have pre-specified leverage limits in offering documents but will be limited to 75% of the market value of the commingled funds, at the time of financing.

Alternative Investments
OCERS invests in a variety of alternative strategies including private equity, real return and absolute return. The fair value of OCERS' 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.

Included in the real return strategy are dedicated allocations to inflation linked debt, commodities, timber, energy and agriculture resources. Fair value for inflation linked debt securities and commodities are determined by quoted market prices. Fair value for timberland is determined in a manner similar to other alternative investments and involves a degree of expert judgment.

Capital Assets
Capital assets consist of furniture, equipment, intangible assets, including computer software, 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. Capital assets are depreciated using the straight-line depreciation method over their estimated useful lives, ranging from five to fifteen years for furniture, equipment and building improvements; three years for computer software; and sixty years for buildings.

Capital Assets

As of December 31, 2014
(Dollars in Thousands)

Computer Software	$ 23,983
Building & Improvements	5,133
Furniture & Equipment	1,341
Total Capital Assets (at cost)	**30,457**
Less Accumulated Depreciation	(8,975)
Total Capital Assets, Net of Depreciation	**$ 21,482**

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires OCERS to identify and capitalize costs incurred for the development of internally generated software. According to GASB Statement

NOTE 2 : Summary of Significant Accounting Policies (continued)

51, there are three stages in the development and installation of internally generated software: (1) Preliminary Project Stage, (2) Application and Development Stage, and (3) Post-Implementation/Operation Stage. All outlays related to the Application and Development Stage must be capitalized.

OCERS began implementing and developing a new Pension Administration Software System (V-3) in 2010 and $4.0 million in expenses related to V-3 were capitalized during the current fiscal year. These intangible assets are included as Capital Assets in the Statement of Fiduciary Net Position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, 2013, from which the summarized information was derived. Certain reclassifications have been made to the 2013 amounts to conform with the 2014 financial statement presentation. Investment related expenses which were readily separable from general administrative expenses are reported as other investment expenses in 2014. In 2013, these expenses were reported in administrative expenses. Such reclassifications had no material effect on net position as previously reported.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50, *Pension Disclosures*. The purpose of this statement is to improve the decision-making usefulness of pension information included in the general purpose external financial reports of governmental pension plans and increase transparency, consistency and comparability of pension information across governments. This statement is effective for financial statements for periods beginning after June 15, 2013 and has a material impact on OCERS' financial statements beginning with the year ended December 31, 2014 as the disclosures, required supplementary information and notes to the required supplementary information were significantly altered to comply with this statement.

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. Agency 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.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, OCERS discloses investments that are subject to custodial credit risk, credit risk, interest rate risk, foreign currency risk and concentration of credit risk and in accordance with GASB Statement No. 67, OCERS discloses concentration of investments and the annual money-weighted rate of return.

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, 2014, OCERS' deposits with a financial institution are fully insured by FDIC insurance. 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. OCERS does not maintain any general policies regarding custodial credit risk.

Credit Risk

By definition, credit risk measures the risk that an issuer or counterparty will not fulfill its obligations. Standard & Poor's 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 those securities that are not rated and NA represents those securities that are not subject to the GASB Statement No. 40 disclosure requirements. The credit ratings for individual OCERS' fixed income portfolios are monitored regularly.

At December 31, 2014, the Standard and Poor's credit ratings of the OCERS' fixed income portfolio were as follows:

Credit Ratings

As of December 31, 2014
(Dollars in Thousands)

Rating	Pooled	International	U.S. Treasuries	Corporates	Agencies	Mortgages	Municipals	Asset-Backed	Swaps	Total
AAA	$ -	$ 15,289	$ -	$ -	$ -	$ 20,089	$ 977	$ 7,055	$ -	$ 43,410
AA	-	22,468	-	6,408	30,612	4,623	20,442	2,736	-	87,289
A	-	34,222	-	68,982	-	8966	4,826	457	-	117,453
BBB	-	34,576	-	80,130	-	11,733	1,173	2,739	-	130,351
BB	-	5,371	-	103,090	-	2,840	-	12,271	-	123,572
B	-	371	-	61,968	-	2,511	2,426	1,989	-	69,265
CCC	-	-	-	14,971	-	3,013	-	8,058	-	26,042
CC	-	-	-	-	-	2,074	-	97	-	2,171
D	-	-	-	51	-	4,421	-	5,093	-	9,565
NR	709,488	88,813	-	17,380	-	24,597	1,508	7,336	(45,276)	803,846
NA	-	-	293,314	-	1,113	-	-	-	-	294,427
	$ 709,488	**$ 201,110**	**$ 293,314**	**$ 352,980**	**$ 31,725**	**$ 84,867**	**$ 31,352**	**$ 47,831**	**$ (45,276)**	**$ 1,707,391**

This schedule reflects credit ratings for OCERS' fixed income portfolio, including $(24.5) million of fixed income included in real return investments, and excludes approximately $62.7 million of non-fixed income securities that are included in the domestic fixed income category on the Statement of Fiduciary Net Position.

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 it's 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 benchmarks for domestic and global fixed income are the Barclays Capital US Universal Index and the Citigroup World Government Bond Index, respectively. As of December 31, 2014, the duration was 5.42 years for the Barclays Capital US Universal Index and 7.26 years for the Citigroup World Government Bond Index and 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 mortgage backed 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, 2014:

Interest Rate Risk Schedule

As of December 31, 2014
(Dollars in Thousands)

Category	Amount	Duration (in Years)	Percent
Pooled	$ 709,488	3.06	42%
Corporates	320,675	5.20	19%
U.S. Treasuries	293,314	6.18	17%
International	195,084	4.87	11%
Mortgages	83,100	2.26	5%
Asset-Backed	41,814	0.72	2%
Municipals	31,352	8.08	2%
Agencies	31,721	3.09	2%
No Effective Duration:			
Corporates	32,305	N/A	2%
International	6,026	N/A	0%
Mortgages	1,767	N/A	0%
Asset-Backed	6,017	N/A	0%
Agencies	4	N/A	0%
Swaps	(45,276)	N/A	-2%
Total	**$ 1,707,391**	**4.20**	**100%**

This schedule reflects interest risk for OCERS' fixed income portfolio, including ($24.5) million of fixed income included in real return investments, and excludes approximately $62.7 million of non-fixed income securities that are included in the domestic fixed income 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, real return, and global fixed income. 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, 2014:

Foreign Currency Risk Schedule

As of December 31, 2014
(Dollars in Thousands)

Currency in U.S. Dollar	Cash	Equities	Fixed Income	Options	Forwards	Swaps	Total
Austrailian Dollar	$ 141	$ 26,181	$ 7,377	$ (60)	$ (163)	$ 826	$ 34,302
Brazillian Real	73	939	9,761	-	750	(295)	11,228
Canadian Dollar	258	17,783	10,777	-	(50)	-	28,768
Danish Krone	98	14,304	-	-	28	-	14,430
Euro Currency	10,863	288,006	59,815	(197)	3,327	(1,104)	360,710
Hong Kong Dollar	151	59,598	-	-	-	-	59,749
Iceland Krona	-	-	1,620	-	-	-	1,620
Indian Rupee	-	224	-	-	(67)	-	157
Indonesian Rupiah	-	-	603	-	-	-	603
Japanese Yen	600	158,789	21,814	-	(274)	(12)	180,917
Mexican Peso	216	-	18,573	-	149	(22)	18,916
New Israeli Sheqel	-	2,824	-	-	23	-	2,847
New Zealand Dollar	65	276	21,665	-	143	-	22,149
Norwegian Krone	-	4,415	2,231	-	121	-	6,767
Polish Zloty	-	-	2,759	-	-	-	2,759
Pound Sterling	(350)	147,170	17,492	(48)	260	(17)	164,507
Singapore Dollar	57	10,354	-	-	(37)	-	10,374
South African Rand	-	3,881	-	-	(199)	-	3,682
South Korean Won	-	18,562	-	-	(37)	-	18,525
Swedish Krona	85	20,266	13,862	-	(4)	-	34,209
Swiss Franc	3	85,248	-	-	(14)	-	85,237
Thailand Baht	24	9.346	-	-	-	-	9,370
	$ 12,284	**$ 868,166**	**$ 188,349**	**$ (305)**	**$ 3,956**	**$ (624)**	**$ 1,071,826**

The foreign currency amounts above are included within the cash and cash equivalents, international equity, global equity, real return, and global fixed income allocations on the Statement of Fiduciary Net Position as of December 31, 2014. Swaps are included in the global fixed income and real return investment allocations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's 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, 2014, 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.

NOTE 3 : Investments (continued)

Derivative Instruments

As of December 31, 2014, 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 at December 31, 2014.

Derivative Instruments

As of December 31, 2014
(Dollars in Thousands)

Investment Derivatives	Changes in Fair Value [4]		Fair Value at December 31, 2014		Notional [3]
	Classification	Amount [1]	Classification	Amount [2]	
Commodity Futures Long	Net Appreciation / (Depreciation) in Fair Value of Investments	$ (5,163)	Real Return Investments	$ -	$ 2,273
Commodity Futures Short	Net Appreciation / (Depreciation) in Fair Value of Investments	5,460	Real Return Investments	-	(2,921)
Credit Default Swaps Bought	Net Appreciation / (Depreciation) in Fair Value of Investments	(473)	Domestic Fixed Income / Real Return Investment	815	12,388
Credit Default Swaps Written	Net Appreciation / (Depreciation) in Fair Value of Investments	(93)	Domestic Fixed Income / Real Return Investment	85	85,356
Fixed Income Futures Long	Net Appreciation / (Depreciation) in Fair Value of Investments	(901,843)	Domestic Fixed Income / Real Return Investment	-	99,681
Fixed Income Futures Short	Net Appreciation / (Depreciation) in Fair Value of Investments	(364)	Domestic Fixed Income / Real Return Investment	-	(54,710)
Fixed Income Options Bought	Net Appreciation / (Depreciation) in Fair Value of Investments	(53)	Domestic Fixed Income / Real Return Investment	1,941	222,200
Fixed Income Options Written	Net Appreciation / (Depreciation) in Fair Value of Investments	1,907	Domestic Fixed Income / Real Return Investment	(2,180)	(386,367)
Foreign Currency Futures Long	Net Appreciation / (Depreciation) in Fair Value of Investments	(1,170)	Cash	-	4,750
Foreign Currency Futures Short	Net Appreciation / (Depreciation) in Fair Value of Investments	5,798	International Equity Securities	-	(180,875)
Foreign Currency Options Bought	Net Appreciation / (Depreciation) in Fair Value of Investments	5	Domestic Fixed Income	110	6,166
Foreign Currency Options Written	Net Appreciation / (Depreciation) in Fair Value of Investments	(1,143)	Domestic Fixed Income / Real Return Investments	(853)	(51,035)
Futures Options Bought	Net Appreciation / (Depreciation) in Fair Value of Investments	13	Domestic Fixed Income / Real Return Investments	8	50
Future Options Written	Net Appreciation / (Depreciation) in Fair Value of Investments	300	Domestic Fixed Income / Real Return Investments	(44)	(375)
FX Forwards	Net Appreciation / (Depreciation) in Fair Value of Investments	9,954	Foreign Currency Forward Contract (Net) Receivable	3,956	467,403
Index Futures Long	Net Appreciation / (Depreciation) in Fair Value of Investments	(504)	International Equity Securities / Cash	-	539

NOTE 3 : Investments (continued)
Derivitive Instruments (continued)

Investment Derivatives	Changes in Fair Value (4) Classification	Amount (1)	Fair Value at December 31, 2014 Classification	Amount (2)	Notional (3)
Index Futures Short	Net Appreciation / (Depreciation) in Fair Value of Investments	(1,283)	International Equity Securities / Cash	-	(5)
Index Futures Bought	Net Appreciation / (Depreciation) in Fair Value of Investments	(27)	Domestic Fixed Income	-	-
Index Futures Written	Net Appreciation / (Depreciation) in Fair Value of Investments	(43)	Domestic Fixed Income / Real Return Investments	(7)	(1)
Pay Fixed Interest Rate Swaps	Net Appreciation / (Depreciation) in Fair Value of Investments	(13,285)	Domestic Fixed Income / Real Return Investments	(8,424)	248,444
Receive Fixed Interest Rate Swaps	Net Appreciation / (Depreciation) in Fair Value of Investments	6,830	Domestic Fixed Income / Real Return Investments	4,613	378,342
Rights	Net Appreciation / (Depreciation) in Fair Value of Investments	41	International Equity Securities / Global Equities	37	66
Total Return Swaps Bond	Net Appreciation / (Depreciation) in Fair Value of Investments	94	Real Return Investments	6	3,519
Total Return Swaps Equity	Net Appreciation / (Depreciation) in Fair Value of Investments	(8,154)	Real Return Investments	(1,998)	(42,297)
Warrants	Net Appreciation / (Depreciation) in Fair Value of Investments	60	Domestic Fixed Income / International Equity Securities	67	150
Grand Totals		**$ (903,136)**		**$ (1,868)**	

(1) Negative values (in brackets) refer to losses
(2) Negative values refer to liabilities
(3) Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions
(4) Excludes futures margin payments

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, 2014. Future variation margin accounts also settle daily and are recognized in the financial statements under net appreciation/(depreciation) in the fair value of the investment 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, 2014.

Custodial Credit Risk – Derivative Instruments

As of December 31, 2014, 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, 2014 is as follows:

Counterparty Credit Risk Schedule for Derivative Investments

As of December 31, 2014
(Dollars in Thousands)

Counterparty Name	S&P Rating	Foreign Currency Forward Contracts	Swaps	Total Fair Value
Australia and New Zealand Banking Group	AA-	$ 293	$ -	$ 293
Bank of America, N.A.	A	1,357	100	1,457
Barclays Bank CME	A	-	3	3
Barclays Bank PLC Wholesale	A	288	-	288
Barclays Capital	A	-	102	102
BNP Paribas, S.A.	A+	124	10	134
Citibank London	A	1,136	-	1,136
Citibank N.A.	A	317	214	531
Citigroup Global Markets CME	A-	-	625	625
Credit Suisse FOB CME	A	-	3,240	3,240
Credit Suisse FOB ICE	A	-	566	566
Credit Suisse International	A	470	419	889
Deutsche Bank AG London	A	499	2	501
Deutsche Bank CME	A	-	4	4
Deutsche Bank Securities Inc	A	-	46	46
Goldman Sachs + CO	A-	-	28	28
Goldman Sachs Capital Markets LP	A-	1,461	-	1,461
Goldman Sachs CME	A-	-	174	174
Goldman Sachs International	A-	390	60	450
HSBC Bank PLC	A+	49	-	49
HSBC Bank USA	AA-	133	2	135
J P Morgan Securities Inc	A	-	11	11
J P Morgan Chase Bank N.A.	A+	1,126	67	1,193
Macquarie Bank Limited	A	-	4	4
Morgan Stanley Bank, N.A.	A	484	-	484
Morgan Stanley Capital Services Inc	A-	-	68	68
Morgan Stanley CME	A-	-	167	167
Morgan Stanley Co Incorporated	A-	-	10	10
National Australia Bank Limited	AA-	686	-	686
Royal Bank of Canada	AA-	57	-	57
Societe Generale	A	-	19	19
State Street Bank London	A+	-	-	-
UBS AG	A	50	-	50
UBS AG London	A	-	-	-
UBS CME	A	-	856	856
Total Derivatives in Asset Position		**$ 8,920**	**$ 6,797**	**$ 15,717**

Notes to the Basic Financial Statements

NOTE 3 : Investments (continued)

Interest Rate Risk – Derivatives

At December 31, 2014, OCERS is exposed to interest rate risk on its investments in various swap arrangements based on daily interest rates for LIBOR (London Interbank Offered Rate), UKRPI (UK Retail Price Index), Australian reference rate, Brazilian reference rate, federal funds rate and Mexican swap rate. The following table illustrates the maturity periods of these investments.

Interest Rate Risk - Schedules for Derivative Instruments

As of December 31, 2014
(Dollars in Thousands)

			Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1	1-5	6-10	More than 10
Credit Default Swaps Bought	$ 815	$ 9	$ 246	$ 165	$ 395
Credit Default Swaps Written	85	46	719	-	(680)
Pay Fixed Interest Rate Swaps	(8,424)	-	(893)	(4,986)	(2,545)
Receive Fixed Interest Rate Swaps	4,613	(2)	3,856	(182)	941
Total Return Swaps Bond	6	16	(10)	-	-
Total Return Swaps Equity	(1,998)	(1,998)	-	-	-
Total	**$ (4,903)**	**$ (1,929)**	**$ 3,918**	**$ (5,003)**	**$ (1,889)**

Derivative Instruments Highly Sensitive to Interest Rate Changes				
Investment Type	Receive Rate	Payable Rate	Fair Value	Notional
Pay Fixed Interest Rate Swaps	Variable 3-month LIBOR	Fixed 0.75% - 3.75%	$ (3,326)	$ 201,300
Pay Fixed Interest Rate Swaps	Variable 6-month BBSW	Fixed 3.75% - 4.75%	(3,007)	27,333
Pay Fixed Interest Rate Swaps	Variable 6-month EURIB	Fixed 2.00%	(1,983)	14,884
Pay Fixed Interest Rate Swaps	Variable 6-month LIBOR	Fixed 1.00% - 2.00%	(108)	4,928
Received Fixed Interest Rate Swaps	Fixed 8.18% - 12.26%	Variable 0 month BRCDI	(94)	1,956
Received Fixed Interest Rate Swaps	Fixed 8.20% - 11.68%	Variable 0-month CETIP	(202)	14,070
Received Fixed Interest Rate Swaps	Fixed 0.00% - 1.00%	Variable 0-month FFED	(25)	3,500
Received Fixed Interest Rate Swaps	Fixed 3.10% - 3.55%	Variable 0-month UKRPI	64	2,386
Received Fixed Interest Rate Swaps	Fixed 5.50% - 6.35%	Variable 1-month TIIE	(24)	8,616
Received Fixed Interest Rate Swaps	Fixed 3.25% - 4.00%	Variable 3-month BBSW	3,640	267,273
Received Fixed Interest Rate Swaps	Fixed 1.75% - 3.00%	Variable 3-month LIBOR	173	52,200
Received Fixed Interest Rate Swaps	Fixed 3.25% - 4.00%	Variable 6-month BBSW	194	6,138
Received Fixed Interest Rate Swaps	Fixed 1.25%	Variable 6-month EURIB	870	21,902
Received Fixed Interest Rate Swaps	Fixed 5.50%	Variable 9-month TIIE	2	68
Received Fixed Interest Rate Swaps	Fixed 3.55%	Variable 12-month LIBOR	15	234
Total Interest Rate Swaps			**$ (3,811)**	

NOTE 3 : Investments (continued)

Foreign Currency Risk – Derivatives

At December 31, 2014, 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, 2014
(Dollars in Thousands)

		Foreign Currency Forward Contracts			
Currency Name	Options	Net Receivables	Net Payables	Swaps	Total Exposure
Austrailian Dollar	$ (60)	$ (650)	$ 487	$ 826	$ 603
Brazillian Real	-	(227)	977	(295)	455
Canadian Dollar	-	(96)	46	-	(50)
Danish Krone	-	(3)	31	-	28
Euro Currency	(197)	(1,644)	4,971	(1,104)	2,026
Indian Rupee	-	(67)	-	-	(67)
Japanese Yen	-	(990)	716	(12)	(286)
Mexican Peso	-	(361)	510	(22)	127
New Israeli Sheqel	-	24	(1)	-	23
New Zealand Dollar	-	202	(59)	-	143
Norwegian Krone	-	(279)	400	-	121
Pound Sterling	(48)	(27)	287	(17)	195
Singapore Dollar	-	(40)	3	-	(37)
South African Rand	-	(199)	-	-	(199)
South Korean Won	-	(21)	(16)	-	(37)
Swedish Krona	-	(145)	141	-	(4)
Swiss Franc	-	(72)	58	-	(14)
Total	**$ (305)**	**$ (4,595)**	**$ 8,551**	**$ (624)**	**$ 3,027**

Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return on the assets of the plan, net of investment expense, was 4.64%. 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 domestic and international equities and fixed income 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 market value of not less than 102%, 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 amount 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 managed by State Street. The collective investment fund is not rated. In December 2010 the collective investment fund was divided into separate investment pools: 1) a liquidity pool and 2) a duration pool. As of December 31, 2014, the liquidity pool had an average life-final maturity of 101.9 days and a weighted average maturity (WAM) of 36.7 days. The duration pool had an average

NOTE 3 : Investments (continued)

life-final maturity of 2,091.6 days and a WAM of 43.9 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 Agreement requires State Street to indemnify OCERS if the broker/dealer fails to return any borrowed securities. During 2014, 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 market value of securities on loan and the total cash and non-cash collateral held as of December 31, 2014 was $204.4 million and $210.7 million, respectively. The following table shows fair values of securities on loan and cash collateral received by asset class:

Security Lent for Cash Collateral	Fair Value of OCERS' Security Lent	Cash Collateral Received	Non-Cash Collateral Received	Total Collateral Received
Domestic Corporate Fixed Income and Equity	$ 124,373	$ 118,510	$ 9,333	$ 127,843
U.S. Government Fixed Income	26,876	27,370	-	27,370
International Equity	42,494	44,563	-	44,563
Global Fixed Income	10,617	10,874	-	10,874
Total	**$ 204,360**	**$ 201,317**	**$ 9,333**	**$ 210,650**

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 plan sponsor 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' plan sponsors for the year ending December 31, 2014 was $1.6 billion. Employer contribution rates are determined using the entry age normal 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 report as of December 2011 established the contribution rates for the first six months of calendar year 2014 (second half of fiscal year 2013-2014), and the actuarial valuation report as of December 2012 established the contribution rates for the last six months of calendar year 2014 (first half of fiscal year 2014-2015). For the year ending December 31, 2014, employer contribution rates ranged from 21.04% of payroll to 57.28% depending upon the benefit plan type. Employer contributions were $625.5 million for the year ended December 31, 2014 of which approximately $340.6 million and $80.1 million 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. 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 $232.7 million in employee contributions for the year ended December 31, 2014. Average employee contribution rates for the year ended December 31, 2014 ranged between 8.93% and 15.63%.

NOTE 5 : Funding Policy (Health Care Plans)

County of Orange Plan: Information pertaining to the funding policy of the County of Orange Retiree Medical Plan is included in the County's publicly available financial report and 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/.

Orange County Fire Authority Plan: Current, active employees received pay increases pursuant to collective bargaining agreements in order to contribute 4% of pay to the OCFA for post-employment (retirement) coverage. OCERS classifies plan contributions as being employer made due to the collective bargaining arrangement. The OCFA periodically remits plan contributions to the OCERS' administered trust in amounts authorized by the OCFA Board of Directors. Contributions totaled $2.7 million for the year ending December 31, 2014.

Notes to the Basic Financial Statements

NOTE 6 : Plan Reserves

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 future active member retirement benefits. Additions include employer contributions. Deductions include transfers to the pension reserves in order to fund retirement benefits, disability benefits and death benefits.

Annuity Reserve
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.

Health Care Plan Reserve
Health care plan reserve represents 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.

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 rate for the County of Orange. In 2014, $5 million of the remaining proceeds were utilized to offset the actuarially determined contributions for the County of Orange.

Contra Account
A positive balance in this account represents excess earnings. A credit balance in this account represents the amount of interest credited to the reserve accounts that have 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.

Total Fund Reserves

As of December 31, 2014
(Dollars in Thousands)

Pension Reserve	$ 7,231,591
Employee Contribution Reserve	2,490,972
Employer Contribution Reserve	1,584,004
Annuity Reserve	989,864
Health Care Reserve	233,971
County Investment Reserve	109,103
Contra Account	(869,429)
Net Position - Total Fund	**$ 11,770,076**

Notes to the Basic Financial Statements

NOTE 7 : 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 2014 were within the limits established by the Code. The administrative budget for the year ending December 31, 2014 was as follows:

Administrative Expense Compared to Actuarial Accrued Liability

For the Twelve Months Ended December 31, 2014
(Dollars in Thousands)

Actuarial Accrued Liability (AAL) as of 12/31/14	$ 16,413,124
Maximum Allowed for Administrative Expense (AAL * 0.21%)	34,468
Actual Administrative Expense[1]	11,305
Excess of Allowed Over Actual Expense	**$ 23,163**
Actual Administrative Expense as a Percentage of Actuarial Accrued Liability as of 12/31/14	0.07%

[1] Administrative Expense Reconciliation

Administrative Expense per Statement of Changes in Fiduciary Net Position	$ 11,905
Less Administrative Expense Not Considered per CERL Section 31596.1	600
Administrative Expense Allowable Under CERL Section 31580.2	**$ 11,305**

NOTE 8 : Commitments

At December 31, 2014, OCERS had outstanding commitments of $1.1 billion to various limited partnerships investment portfolios. The following table details, by asset class, the unfunded commitments:

Asset Class	**Unfunded Commitments (Dollars in Thousands)**
Private Equity*	$ 595,788
Real Return*	165,731
Diversity Credit	151,377
Real Estate	158,611
	$ 1,071,507

* Private equity and Real Return do not include inactive funds.

NOTE 9 : Contingencies

At December 31, 2014, 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 10 : Pension Disclosures

The net pension liability was measured as of December 31, 2014 and determined based upon plan assets as of the measurement date and upon rolling forward to the measurement date the total pension liability from the actuarial valuation as of December 31, 2013. The components of the net pension liability as of December 31, 2014 are as follows:

Net Pension Liability

For the Year Ended December 31, 2014
(Amounts in Thousands)

Total Pension Liability	$ 16,618,587
Less: Plan Fiduciary Net Position	(11,536,106)
Net Pension Liability	$ 5,082,481
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.42%

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' 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 and employed generally accepted actuarial methods and assumptions to measure the total pension liability of plan sponsors. 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 and inactive employees as a result of their past service and their expected future service.

The total pension liability at December 31, 2014 was determined by rolling forward the total pension liability as of December 31, 2013; however as the Board of Retirement approved other new actuarial assumptions for use in the next pension funding valuation as of December 31, 2014, the actuary estimated the impact of those assumption changes by revaluing the total pension liability as of December 31, 2013 (before the roll forward) using the new assumptions and then using the revalued total pension liability in rolling forward the results from December 31, 2013 to December 31, 2014. Following are the key methods and assumptions used for the total pension liability as of December 31, 2014:

Actuarial Information:	
Valuation Date	December 31, 2013
Actuarial Experience Study	Three Year Period Ending December 31, 2013
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Investment Rate of Return	7.25% net of pension plan investment expense, including inflation
Inflation Rate	3.00%
Projected Salary Increases	General: 4.25% to 13.5% and Safety: 5.00% to 17.50% Vary by service, including inflation
Cost of Living Adjustments	3.00% of retirement income

NOTE 10 : Pension Disclosures (continued)

The actuarial assumptions used in the December 31, 2013 actuarial valuation were based on the results of the triennial experience study as of December 31, 2010 and the economic assumptions study prepared in conjunction with the December 31, 2012 valuation. The December 31, 2014 actuarial valuation will reflect new assumptions compared to the December 31, 2013 actuarial valuation based on the triennial experience study and economic assumptions study completed in 2014 for the three-year experience period ending December 31, 2013. The December 31, 2013 actuarial valuation reflected 3.25% for inflation, projected salary increases for general members of 4.75% to 13.75% and 4.75% to 17.75% for safety members, and the investment rate of return was net of pension plan investment and administrative expenses.

Mortality Assumptions

The mortality assumptions used in the total pension liability at December 31, 2014 were based on the results of the actuarial experience study for the period January 1, 2011 through December 31, 2013 using the RP-2000 Combined Healthy Mortality Table projected with the Society of Actuaries Scale BB to 2020. For healthy general members, no adjustments are made. For healthy safety members, the ages are set back two years. For general members that are disabled, the ages are set forward six years for males and three years for females. For safety members that are disabled, no adjustments are made. Beneficiaries are assumed to have the same mortality as a general member of the opposite sex who is receiving a service (non-disability) retirement. The mortality assumptions for all groups is then customized to account for OCERS' plan membership experience.

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 rate 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 rate of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Long-Term Expected Real Rate of Return

For the Year Ended December 31, 2014

Asset Class	Investment Classification	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap U.A. Equity	Domestic Equity Securities	14.90%	5.92%
Small/Mid Cap US Equity	Domestic Equity Securities	2.73%	6.49%
Developed International Equity	International Equity Securities	10.88%	6.90%
Emerging International Equity	Global Equity Securities	6.49%	8.34%
Core Bonds	Domestic Fixed Income	10.00%	0.73%
Global Bonds	Global Fixed Income	2.00%	0.30%
Emerging Markets Debt	Emerging Markets Debt	3.00%	4.00%
Real Estate	Real Estate	10.00%	4.96%
Diversified Credit (US Credit)	Diversified Credit	8.00%	4.97%
Diversified Credit (Non-US Credit)	Diversified Credit	2.00%	6.76%
Hedge Funds	Absolute Return	7.00%	4.13%
Global Tactical Asset Allocation	Absolute Return	7.00%	4.22%
Real Return	Real Return	10.00%	5.86%
Private Equity	Private Equity	6.00%	9.60%
Total		**100.00%**	

Notes to the Basic Financial Statements

NOTE 10 : Pension Disclosures (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for the year ended December 31, 2014. 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 pension plan's 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, 2014.

The following table represents the net pension liability of participating employers calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it was calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

Sensitivity of Net Pension Liability to Changes in the Discount Rate

As of December 31, 2014
(Amounts in Thousands)

Net Pension Liability	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
December 31, 2014	$ 7,412,679	$ 5,082,481	$ 3,166,486

NOTE 11 : Health Care Plan Disclosures

The Schedule of Funding Progress presented in the Required Supplementary Information shows the trend information regarding the OCFA Health Care Plan's actuarial value of assets, liabilities and funding status on a multi-year basis.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective.

Orange County Fire Authority Health Care Plan

(Dollars in Thousands)

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2014	$ 36,945	$ 179,056	$ 142,111	20.63%	$66,021	215.25%

The following summarizes the actuarial assumptions and methods used in the most recent actuarial valuation of December 31, 2014 and the December 31, 2012 valuation which was used to determine 2014 contributions.

Actuarial Information	2014	2012
Valuation Date	July 1, 2014	July 1, 2012
Actuarial Cost Method	Entry age normal	Entry age normal
Amortization Method	Level-dollar basis	Level-dollar basis
Remaining Amortization Period	22 years closed (declining)	24 years closed (declining)
Asset Valuation Method	Market value	Market value
Actuarial Assumptions	**2014**	**2012**
Investment Rate of Return	7.25%	5.50%
Inflation Rate	3.25%	3.50%
Projected Salary Increases	N/A, amortization method is based on level-dollar payment	N/A amortization method is based on level-dollar payment
Medical Cost Trend Rate	7.75% trending down to 5% over 7 years	7.25% trending down to 5% over 5 years

Newport Bay

Orange County, California

The historic Balboa Pavilion (above) located in Newport Bay is an example of the great waterfront recreational pavilions from the early 1900's. The pavilion played a prominent role in the development of the bay as a seaside recreational area. It was once the southern terminus of the Pacific Electric Railway which brought visitors from downtown Los Angeles. Newport Bay is divided by the Pacific Coast Highway into Upper Newport Bay and Lower Newport Bay, also known as Back Bay and Newport Harbor, respectively.

section II

Financial

Required Supplementary Information

Schedule of Changes in Net Pension Liability of Participating Employers

For the Years Ended December 31, 2014 and 2013[1]
(Amounts in Thousands)

	2014	2013
Total Pension Liability		
Service Cost	$438,600	$444,838
Interest	1,153,352	1,109,002
Change of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(327,402)	(295,483)
Changes of Assumptions	(127,729)	-
Benefit Payments, Including Refunds of Employee Contributions	(630,678)	(586,284)
Net Change in Total Pension Liability	**$506,143**	**$672,073**
Total Pension Liability - Beginning	**16,112,444**	**15,440,371**
Total Pension Liability - Ending (a)	**$16,618,587**	**$16,112,444**
Plan Fiduciary Net Position		
Contributions - Employer [2]	$625,520	$427,095
Contributions - Employee	232,656	209,301
Net Investment Income	499,195	1,152,647
Benefit Payments, Including Refunds of Employee Contributions	(630,678)	(586,284)
Administrative Expense	(11,905)	(11,705)
Net Change in Plan Fiduciary Net Position	**$714,788**	**$1,191,054**
Plan Fiduciary Net Position - Beginning	**10,821,318**	**9,630,264**
Plan Fiduciary Net Position - Ending (b)	**$11,536,106**	**$10,821,318**
Net Pension Liability (a) - (b) = (c)	**$5,082,481**	**$5,291,126**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b)/(a)	**69.42%**	**67.16%**
Covered Employee Payroll [3] (d)	**$1,585,453**	**$1,564,158**
Plan Net Pension Liability as a Percentage of Covered Employee Payroll (c)/(d)	**320.57%**	**338.27%**

[1] Data for years prior to 2013 is not available. Information will be presented over ten years as it becomes available prospectively.

[2] Reduced by discount for prepaid contributions and transfers from County Investment Account.

[3] Covered Employee Payroll represents the collective total of OCERS eligible wages of all OCERS participating employers. Difference between gross wages and eligible wages are immaterial.

Schedule of Investment Returns

For the Year Ended December 31, 2014[1]

Year Ended December 31	Annual Money Weighted Rate of Return, Net of Investment Expense
2014	4.64%

[1] Data for years prior to 2014 is not available. Information will be presented over ten years as it becomes available prospectively.

Schedule of Employer Contributions

For the Year Ended December 31, 2005 through 2014
(Amounts in Thousands)

Years Ended December 31	Actuarially Determined Contributions[1,2]	Actual Contributions[1,2]	Contribution Deficiency / (Excess)	Covered Employee Payroll[3]	Contributions as a % of Covered Employee Payroll
2005	$ 227,892	$ 227,892	$ -	$ 1,313,839	17.35%
2006	227,368	277,368	-	1,376,138	20.16%
2007	326,736	326,736	-	1,492,671	21.89%
2008	359,673	360,365 [4]	(692)	1,605,500	22.45%
2009	337,496	338,387 [5]	(891)	1,657,297	20.42%
2010	372,437	372,437	-	1,552,354	23.99%
2011	387,585	387,585	-	1,551,531	24.98%
2012	406,521	406,521	-	1,560,287	26.05%
2013	426,020	427,095 [6]	(1,075)	1,564,158	27.31%
2014	476,320	625,520 [7]	(149,200)	1,585,453	39.45%

[1] Excludes employer pickup of member contributions and transfers from County Investment Account (funded by pension obligation proceeds held by OCERS). Those transfers are as follows:

2009	$34,900
2010	11,000
2011	11,000
2012	5,500
2013	5,000
2014	5,000

[2] Reduced by discount for prepaid contributions

[3] Covered Employee Payroll represents the collective total of OCERS eligible wages of all OCERS participating employers. Differences between gross wages and eligible wages are immaterial.

[4] Includes $692 in additional contributions made by OCFA towards the reduction of their UAAL.

[5] Includes $891 in additional contributions made by OCFA towards the reduction of their UAAL

[6] Includes $1,075 in additional contributions made by OCFA towards the reduction of their UAAL

[7] Includes $149,200 in additional contributions made by the Sanitation District ($125,000), OCFA ($22,500) and Cemetery District ($1,700)

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, 2014:

Valuation Date	Actuarially determined contribution rates for the first six months of calendar year 2014 or the second half of fiscal year 2013-2014 are calculated based on the December 31, 2011 valuation. Actuarially determined contribution rates for the last six months of calendar year 2014 or the first half of fiscal year 2014-2015 are calculated based on the December 31, 2012 valuation.
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll for total unfunded actuarial accrued liability
Remaining Amortization Period	
December 31, 2011 Valuation	23 years closed (declining) amortization of outstanding balance of December 31, 2004 UAAL. The outstanding balance of the UAAL established in the December 31, 2009 valuation as a result of including additional premium pay items as pensionable salary and the new UAAL established in the December 31, 2010 valuation as a result of reallocating contributions and benefit payments among Rate Groups are also amortized over a 23-year period in the December 31, 2011 valuation. Any increases or decreases in UAAL that arise in future years due to actuarial gains or losses will be amortized over separate 15-year periods. Any increases or decreases in UAAL due to changes in actuarial assumptions are amortized over separate 30-year periods.
December 31, 2012 Valuation	22 years closed (declining) amortization of outstanding balance of December 31, 2004 UAAL. The outstanding balance of the UAAL established in the December 31, 2009 valuation as a result of including additional premium pay items as pensionable salary and the new UAAL established in the December 31, 2010 valuation as a result of reallocating contributions and benefit payments among Rate Groups are also amortized over a 22-year period in the December 31, 2012 valuation. Any increases or decreases in UAAL that arise in future years due to actuarial gains or losses will be amortized over separate 15-year periods. Any increases or decreases in UAAL due to changes in actuarial assumptions are amortized over separate 30-year periods.
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.
Actuarial Assumptions:	
December 31, 2011 Valuation	
Investment Rate of Return	7.75% net of pension plan investment expense, including inflation
Inflation Rate	3.50%
Real Across-the-Board Salary Increase	0.25%
Projected Salary Increases	General: 4.75% to 13.75% and Safety: 4.75% to 17.75%, vary by service, including inflation
Cost of Living Adjustments	3.00% of retirement income
Other Assumptions	Same as those used in the December 31, 2011 funding actuarial valuation
December 31, 2012 Valuation	
Investment Rate of Return	7.25% net of pension plan investment expense, including inflation
Inflation Rate	3.25%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	General: 4.75% to 13.75% and Safety: 4.75% to 17.75%, vary by service, including inflation
Cost of Living Adjustments	3.00% of retirement income
Other Assumptions	Same as those used in the December 31, 2012 funding actuarial valuation

Significant Factors Affecting Trends in Actuarial Information – Pension Plan

Changes in Benefit Terms

2012

- With the exception of OCTA, members with membership date on or after January 1, 2013 will be placed in PEPRA tiers: Plan T (1.62% at 65 PEPRA – General); Plan U (2.5% at 67 PEPRA – General); or Plan V (2.7% at 57 PEPRA – Safety).

2011

- Effective April 20, 2012, certain employees previously employed at the City of Santa Ana became employees of OCFA General and OCFA Safety and are eligible for benefits under Plan N (2 % at 55) and Plan F (3% at 50), respectively.
- Effective July 1, 2012, new General employees hired by the City of San Juan Capistrano will be covered under General Plan S (2% at 57).

2010

- LAFCO adopted an optional 1.62% of final average salary at age 65 for members hired on or after July 1, 2010.
- County Managers unit adopted an optional 1.62% of final average salary at age 65 for members hired on or after August 17, 2010.
- Sanitation District adopted a 1.64% of final average salary at age 57 for members within Supervisors and Professional unit hired on or after October 1, 2010.
- OCFA adopted a 3.00% of final average salary at age 55 for Safety members within the Executive Management unit hired on or after July 1, 2011 and for all Safety members hired on or after July 1, 2012.
- OCFA adopted a 2.00% of final average salary at age 55 for General members hired on or after July 1, 2011.

2009

- County and the Courts adopted optional 1.62% at 65 formula for General Member Employees entering OCERS after May 7, 2010.
- County Law Enforcement Members adopted 3% at 55 formula for Safety Members entering OCERS on or after April 9, 2010.

2007

- Vector Control District terminated their participation in OCERS effective January 4, 2007.
- Retirement formula for the Orange County Cemetery District changed to 2% at 55 effective December 7, 2007.

2006

- The City of Rancho Santa Margarita terminated their participation in OCERS effective November 26, 2006.

2005

- Retirement formula for General Members of the County of Orange (except for AFSCME bargaining unit) changed to 2.7% at 55 effective July 1, 2005.
- Retirement formula for the Orange County Superior Court changed to 2.7% at 55 effective July 1, 2005.
- Retirement formula for the Sanitation District changed to 2.5% at 55 effective July 1, 2005.
- Retirement formula for the Transportation Corridor Agencies changed to 2% at 55 effective July 1, 2005.
- Retirement formula for the Orange County Public Law Library changed to 2.5% at 55 (future service only) effective July 1, 2005.
- Retirement formula for LAFCO was changed to 2.7% at 55 (future service only) effective July 1, 2005.
- Retirement formula for the Children and Families Commission of Orange County changed to 2.7% at 55 (future service only) effective December 23, 2005.
- Retirement formula for OCERS' management changed to 2.7% at 55 (future service only) effective July 1, 2005.
- Retirement formula for probation officers changed to 3% at 50 (future service only) effective June 10, 2005.

Significant Factors Affecting Trends in Actuarial Information – Pension Plan

(continued)

Changes in Assumptions and Methods

2014

- The inflation rate was reduced from 3.25% to 3.00%
- Total wage inflation and payroll growth was reduced from 3.75% to 3.50%.
- Inclusion of additional cash-out assumptions in developing basic member contribution rates in the legacy plans.
- Mortality rates for after service retirement were changed to reflect longer life expectancies for Safety members and shorter life expectancies for General members and longer life expectancies for both General and Safety members for after disability retirement.

2013

- The outstanding balance of the December 31, 2012 UAAL was combined and re-amortized over a 20-year period.

2012

- The investment rate of return was decreased from 7.75% to 7.25%
- The inflation rate was decreased from 3.50% to 3.25%.
- Projected salary increases for general members of 4.50% to 11.50% changed to 4.75% to 13.75% and safety members changed from 4.50% to 13.50% to 4.75% to 17.75%

2011

- Changes in mortality, disability, termination, retirement, salary scale, and annual pay-off assumptions in the December 31, 2010 triennial experience study increased the pension plan UAAL by $364 million.

2009

- Adjustments to correct the under-reporting of certain premium pay items in prior years' pensionable salary data resulted in a $228 million increase in UAAL.

2008

- Individual salary increase assumptions are changed from age based to service based.
- Annual leave payoff assumptions were increased for General members.

2005

- The investment rate of return was increased to 7.75% effective December 31, 2004.
- The Actuarial Cost method was changed to Entry Age Normal effective December 31, 2005.
- Salary scale changed from 4.50% to 3.50% per annum per individual.
- Reset amortization period for all members to 30 years.

Schedule of Funding Progress - OPEB Orange County Fire Authority

(Dollars in Thousands)

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2010	$ 21,550	$ 147,710	$ 126,160	14.59%	$ 81,391	155.00%
2012	28,910	156,623	127,713	18.46%	75,432	169.31%
2014	36,945	179,056	142,111	20.63%	66,021	215.25%

Schedule of Employer Contributions - OPEB Orange County Fire Authority

(Dollars in Thousands)

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2010	$ 8,878	$ 4,475	50.41%
2012	13,520	4,558	33.71%
2014	14,560	4,693	32.23%

Significant Factors Affecting Trends in Actuarial Information – OPEB Plan

2014 Changes in OPEB Plan Provisions and Actuarial Assumptions

- The July 1, 2014 OPEB: OCFA highlights include the following:
  - The 5.00% discount rate reflects a blended discount rate as OCFA is currently partially funding the annual required contribution (ARC). The blended rate reflects a short-term rate of approximately 4.25% and a long-term expected rate of return of invested assets of 7.25%.
  - The inflation rate is 3.25% based on recommendations from the actuary.
  - The valuation reflects several assumption changes including an update to the mortality and turnover tables, as well as changes to the spouse participation assumption to reflect actual experience.

2012 Changes in OPEB Plan Provisions and Actuarial Assumptions

- The July 1, 2012 OPEB: OCFA highlights include the following:
  - The 5.50% discount rate reflects a blended discount rate as OCFA is currently partially funding the ARC. The blended rate reflects a short-term rate of approximately 4.00% and a long-term expected rate of return of invested assets of 7.75%.
  - The inflation rate is 3.50% based on recommendations from the actuary.
  - The valuation reflects several assumption changes including an update to the mortality and turnover tables, as well as changes to the spouse participation assumption to reflect actual experience.

2010 Changes in OPEB Plan Provisions and Actuarial Assumptions

- The July 1, 2010 OPEB: OCFA highlights include the following:
  - For this valuation, the discount rate was based on a partially funded plan and the discount rate was lowered from 7.75% to 5.50% to reflect the fact that the plan is currently partially funded. The discount rate is a blended rate that reflects the proportionate amounts of plan and employer assets expected to be used.
  - The change in the discount rate increased the UAAL by $44 million.

Crystal Cove

Orange County, California

Crystal Cove State Park has over 3 miles of beach. The offshore waters are designated as an underwater park. Visitors to the sandy cove have a variety of recreational activities available such as scuba diving, boogie boarding, kayaking, bird watching, exploring tide pools and watching the sunset. Historic cottages available for rent from the National Park System add to the ambience of this beautiful cove.

section II

Financial

Other Supplementary Information

Schedule of Administrative Expenses

For the Year Ended December 31, 2014
(Dollars in Thousands)

Pension Fund Administrative Expenses	
Expenses Subject to the Statutory Limit	
Personnel Services	
Employee Salaries and Benefits	$ 8,181
Board Members' Allowance	14
Total Personnel Services	8,195
Office Operating Expenses	
Professional Services	1,360
Operating Expenses	1,045
Rent/Leased Real Property	567
Depreciation/Amortization	138
Total Office Operating Expenses	3,110
Total Expenses Subject to the Statutory Limit	**11,305**
Expenses Not Subject to the Statutory Limit	
Actuarial Fees	326
Hardware	105
Information Technology - Professional Services	169
Total Expenses Not Subject to the Statutory Limit	600
Total Pension Fund Administrative Expenses	**11,905**
Health Care Fund - County Administrative Expenses	**20**
Health Care Fund - OCFA Administrative Expenses	**22**
Total Administrative Expenses	**$ 11,947**

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

Schedule of Investment Expenses

For the Year Ended December 31, 2014
(Dollars in Thousands)

Investment Management Fees	
Real Return	$ 5,442
International Equity Securities	5,164
Emerging Markets Equity	3,979
Domestic Fixed Income	3,432
Real Estate	3,284
Absolute Return	2,988
Global Equity Securities	1,849
Domestic Equity Securities	1,744
Private Equity	1,408
Diversified Credit	594
Global Fixed Income	509
Total Investment Management Fees	**30,393**
Foreign Income Tax Expense/Other	**10,216**
Other Investment Expenses (Expenses Not Subject to the Statutory Limit)	
Investment Department Expenses	1,277
Consulting/Research Fees	1,083
Legal Costs	229
Custodian Services	300
Investment Service Providers	50
Total Other Investment Expenses	**2,939**
Security Lending Activity	
Security Lending Fees	365
Rebate Fees	4
Total Security Lending Activity	**369**
Total Investment Expenses	**$ 43,917**

Schedule of Payments for Professional Services

For the Year Ended December 31, 2014
(Dollars in Thousands)

Type of Services*	
Professional Expenses Subject to the Statutory Limit	
Professional Services	$ 1,055
Legal Services	305
Total Professional Expenses Subject to the Statutory Limit	**1,360**
Professional Expenses Not Subject to the Statutory Limit	
Consulting/Research Services	1,252
Legal Services	229
Actuarial Services	326
Custodian Services	300
Investment Service Providers	50
Total Professional Expenses Not Subject to the Statutory Limit	**2,157**
Total Payments for Professional Expenses	**$ 3,517**

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

Statement of Changes in Assets and Liabilities - OPEB Agency Fund

For the Year Ended December 31, 2014
(Dollars in Thousands)

	Beginning Balance December 31, 2013	Additions	Deductions	Ending Balance December 31, 2014
Assets				
Cash and Cash Equivalents	$ 66	$ 890	$ 839	$ 117
Domestic Equity Securities	6,222	1,215	440	6,997
International Equity Securities	2,677	263	419	2,521
Domestic Fixed Income	4,198	302	83	4,417
Total Assets	**$ 13,163**	**$ 2,670**	**$ 1,781**	**$ 14,052**
Liabilities				
Due to Employers	$ 13,163	$ 2,670	$ 1,781	$ 14,052
Total Liabilities	**$ 13,163**	**$ 2,670**	**$ 1,781**	**$ 14,052**

Santa Ana River

Orange County, California

The Santa Ana River's drainage basin runs through four counties in Southern California before it reaches the Pacific Ocean near Huntington Beach. The river accumulates in a small lagoon before flowing out to the sea. Many species of water fowl can be found enjoying the river and surrounding area. Along the Santa Ana River through Orange County is a running and bicycle path used by recreational ethusiasts.

section III

Investment

NEPC, LLC

April 6, 2015

Dear Board Members:

This letter reviews the investment performance of the Orange County Employees Retirement System (OCERS) for the year ended December 31, 2014.

The primary objective of OCERS is to prudently and expertly invest the System's assets, to ensure the System's ability to pay promised benefits to participants and their beneficiaries, consistent with governing law and best industry practices. In pursuit of this objective, OCERS' Board periodically evaluates the System's liabilities, expected contributions and potential investment returns from differing investment allocations. The Board selects a strategic policy mix that best balances growth potential and acceptable risk. A policy benchmark index is constructed to mirror the system's strategic asset allocation policy. This policy benchmark is used to evaluate the performance of the Fund, and the contribution of managers employed by the Fund.

The System's custodian, State Street Bank and Trust Company, independently prepared the underlying performance data used in this report. The performance calculations were made in compliance with industry performance calculation standards. NEPC, LLC serves as OCERS' independent investment consultant and evaluates the performance of the fund in relation to the System's performance objectives, market benchmarks, and appropriate peer groups of other public pension funds.

Calendar Year 2014 Market Review

There were numerous events and factors driving markets in 2014 but taking center stage for the better part of the year was the continuing economic recovery in the United States. Within Domestic Equities, large company stocks returned 13.2% and small company stocks returned 4.9%. To be sure, the US economy shared the stage with slowing growth in emerging markets, continued uncertainty in Europe, broad-based stimulation of the Japanese economy, geopolitical unrest in the Middle East and Ukraine, and the steep fall in oil prices towards the end of the year.

At the beginning of last year, market participants expected the Fed would slowly move towards moderation, tapering its asset purchases which would lead to an uptick in long-term interest rates. Indeed, moderating quantitative easing was a gradual process; however, unexpectedly US long-term interest rates fell throughout 2014. As a result, US Bonds returned 6.0% during the year. While the long-term ramifications of the Fed's larger balance sheet remain unknown, there seems to be stability and strength in key US economic metrics with unemployment falling to levels last seen in 2008 (although participation remains low) and GDP growth continuing. Moving beyond the US, emerging markets growth prospects declined in 2014. Returns for International Equities and Bonds were negative for 2014, with equities (represented by the MSCI ACWI Ex-US Index) returning -3.9% and International Bonds (represented by Citigroup WGBI Index) returning -0.5% for the year. Emerging Markets Equities had a -2.2% return and Emerging Markets Bonds denominated in local currencies had a -5.7% return for the year.

OCERS Portfolio

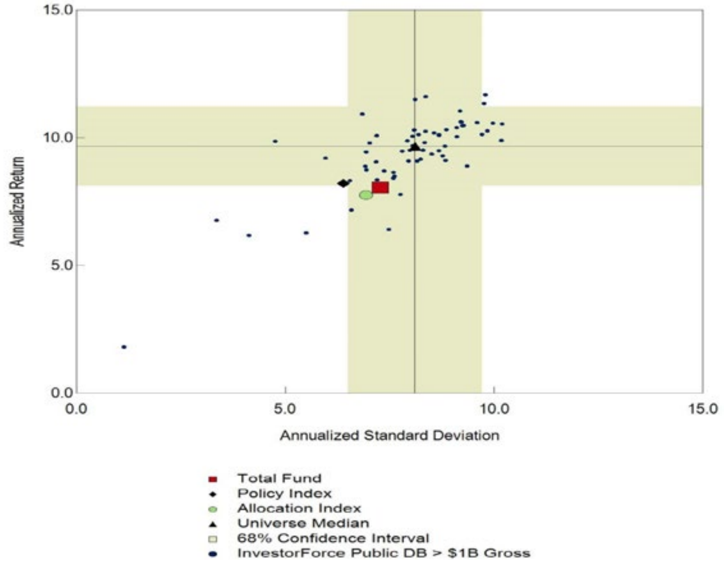
The Plan returned +4.9%, gross of fees, for the fiscal year ending December 31, 2014, which ranked in the 73rd percentile of the InvestorForce Public Funds Greater than $1 Billion Universe. The recent underperformance relative to peers is the result of OCERS reducing the Plan's allocation to equities to protect against the downside and reduce volatility.

900 Veterans Blvd. | Ste. 340 | Redwood City, CA 94063-1741 | TEL: 650.364.7000 | www.nepc.com
BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO

NEPC, LLC

For the five-year period ending December 31, 2014, the Plan returned 8.1% gross of fees per annum, above the actuarial target of 7.25%. On a relative basis, the Plan ranked in the 90th percentile of the InvestorForce Public Funds Greater than $1 Billion peer group universe. The Plan's five-year volatility, as measured by standard deviation, ranked in the 27th percentile of its peers, while the risk-adjusted return of the portfolio as measured by the Sharpe Ratio, ranks in the 77th percentile of the universe. However longer term risk-adjusted returns rank to the top quartile versus peers.

ICC Public Funds Greater than $1 Billion Universe Risk-Return Comparison (Gross of Fees)
5 Years Ending December 31, 2014



With the majority of the global capital markets experiencing robust valuations, increasing the potential for a market correction, diversification can help protect portfolios from experiencing significant declines. Diversification aims to reduce volatility and better equalize the contribution to overall plan risk across a variety of asset classes with uncorrelated return patterns.

Sincerely,

Don Stracke
Senior Consultant, CFA, CAIA

[1]As of December 31, 2014, the InvestorForce Public Funds Greater than $1 Billion Universe was comprised of 65 total funds with approximately $503 billion in assets. Universe rankings are based on gross of fee performance.

2

Investment Returns

The table below details the annualized rates of return for the different asset categories over various time periods ended December 31, 2014. The returns for each asset class represent the composite returns of all the manager portfolios within the asset class. All returns are gross of fees except for absolute return, diversified credit, private equity, real return, emerging market debt, and real estate, where some of the fees are deducted at source. The method of computation of investment returns is time-weighted approximation.

	1 Year	3 Year	5 Year
Domestic Equity (%)	**11.57**	**19.94**	**14.89**
Russell 3000 Index (%)	12.56	20.51	15.63
Global Equity (%)	**1.78**	**15.62**	**N/A**
MSCI World Index (%)	4.94	15.47	N/A
International Equity (%)	**-4.57**	**12.22**	**6.56**
MSCI AC World ex US Index (%)	-3.87	8.99	4.43
MSCI EAFE Index (%)	-4.90	11.06	5.33
Emerging Markets Equity (%)	**3.83**	**6.16**	**2.68**
MSCI EME Index (%)	-2.19	4.04	1.78
Domestic Fixed (%)	**4.99**	**4.76**	**6.00**
Barclays Capital Universal Index (%)	5.56	3.20	4.81
Global Fixed Income (%)	**-0.72**	**-0.97**	**1.49**
Citigroup Blended Bond Index (1) (%)	-0.34	0.51	2.01
Emerging Market Debt (%)	**-1.91**	**N/A**	**N/A**
Emerging Market Debt Target Index (2) (%)	-1.25	N/A	N/A
Diversified Credit (%)	**5.51**	**16.76**	**19.15**
Diversified Credit Target Index (3) (%)	2.30	7.10	7.35
Absolute Return (%)	**4.09**	**4.74**	**7.43**
Absolute Return Target Index (4) (%)	5.25	5.37	5.56
Real Return (%)	**-1.88**	**0.87**	**3.48**
Real Return Target Index (5) (%)	4.78	6.03	7.16
Short Term Investments (%)	**0.18**	**0.39**	**0.59**
Cash Overlay (%)	**3.65**	**9.23**	**8.37**
91-day Treasury Bill (%)	0.03	0.07	0.09
Real Estate (%)	**12.41**	**12.19**	**11.69**
Real Estate Target Index (6) (%)	11.58	12.57	11.80
Private Equity (%)	**20.88**	**12.15**	**11.88**
Cambridge Private Equity Lagged	18.09	17.06	16.64
Total Fund (%)	**4.93**	**9.39**	**8.06**
Composite Policy Benchmark (7) (%)	**5.75**	**9.54**	**8.19**

(1) Citigroup Blended Bond Index = 50% Citigroup Non-US World Government Bond Index (50% hedged) through 1/31/14. Thereafter, the index is Citigroup World Government Bond Index.

(2) Emerging Market Debt Target Index = 65% JPMorgan GBI-EM Global Diversified Un-hedged + 35% JPMorgan EM Bond Index

(3) Diversified Credit Target Index = 50% Merrill Lynch HY Constrained + 50% CS Levered Loan

(4) Absolute Return Target Index = 3-month Treasury Bill + 5 5/7% through 6/30/10, 3-month Treasury Bill + 5% through 6/30/12 and LIBOR + 5% thereafter

(5) Real Return Target Index =60% BC US TIPS Index + 40% (CPI + 5%) through 6/30/12, CPI + 5% through 6/30/14, and CPI + 3% thereafter

(6) Real Estate Target Index = 90% NCREIF Total Index + 10% FTSE EPRA/NAREIT Global Real Estate Index through 6/30/12 and 90% NCREF ODCE + 10% FTSE EPRA/NAREIT Developed Real Estate Ex-US Index thereafter

(7) Policy Benchmark = 13.0% Russell 1000 Index + 2% Russell 2000 Index + 7.0% MSCI EAFE Index + 5.0% MSCI World Index + 6.0% MSCI Emerging Markets Equity + 2% MSCI EAFE Small Cap Equity + 10.0% BC US Universal Index + 2% Citigroup World Government Bond Index (unhedged) + 5.0% ML HY Constrained + 5.0% CS Leveraged Loan + 14% (3 month LIBOR + 5%) + 10% (CPI + 3%) + 9.0% NCREIF ODCE Index + 1.0% FTSE EPRA/NAREIT Developed Ex-US REITs Index + 6% Cambridge Private Equity Lagged + 1.95% JPMorgan GBI-EM Global Diversified Un-hedged + 1.05% JPMorgan EM Bond Index

Statement of Investment Objectives and Policies

General

This statement is intended to set forth the factors involved in the management of investment assets for the Orange County Employees Retirement System (the System). The responsibility of the Board (with the participation of its Investment Committee, Staff and Advisors) is to establish broad investment policy, guidelines and objectives for the total fund and its component parts, to select independent investment managers and to monitor the activities of the investment managers. The responsibility of each investment manager is to develop and implement management strategies in accordance with the stated investment policies, guidelines and objectives, in a manner consistent with the “prudent man” rule for similar funds, i.e., with care, skill, prudence and diligence, with full discretion subject to the guidelines and applicable statutes. The investment manager is responsible for administration of the investment program within parameters established.

Strategic Asset Allocation Policy and Maintenance

The Board periodically undertakes strategic asset allocation studies. Such studies define the targeted level of diversification among the various major asset classes and the range in which they are permitted to fluctuate. When significant changes are made to the plan, a transition plan is adopted.

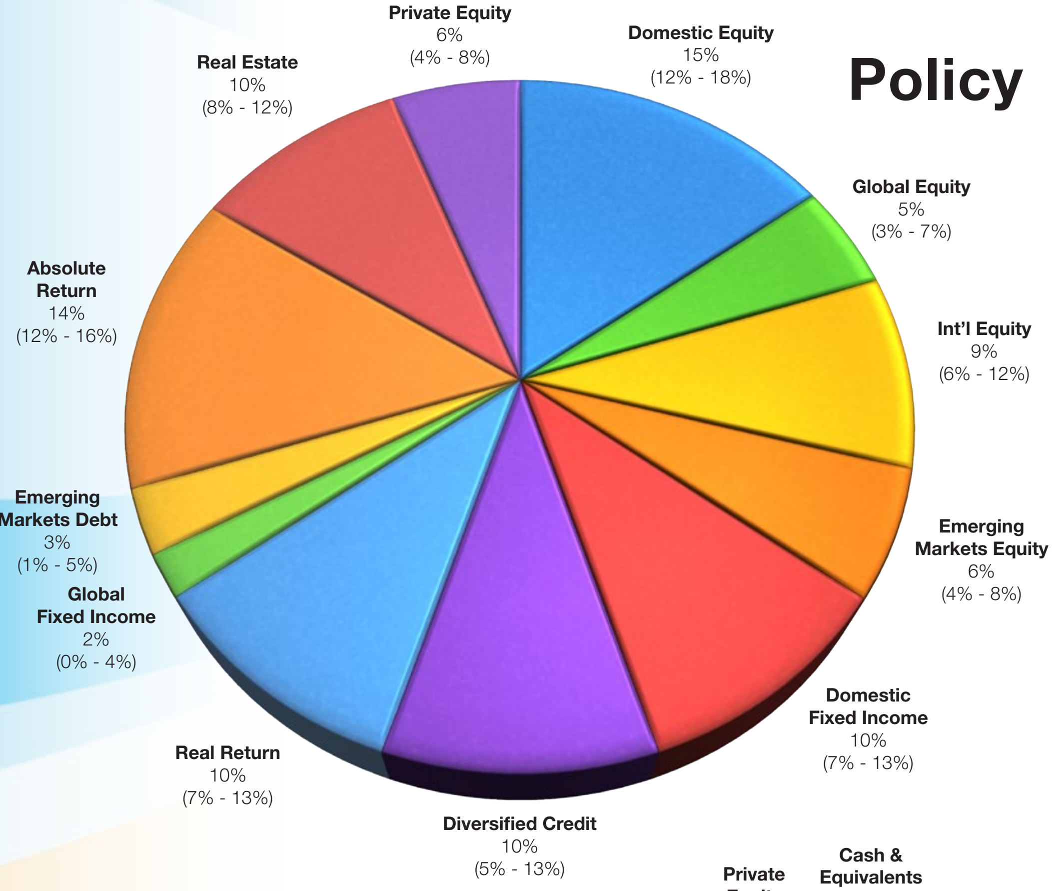
In normal circumstances, asset levels are permitted to fluctuate around targeted levels, and cash inflows are administered by staff in a manner that is consistent with maintenance of the desired level of diversification. When asset fluctuations and/or external cash flows take actual allocation outside the accepted range, cash inflows shall be directed toward the underallocated asset categories and cash outflows shall be directed from the overallocated asset classes.

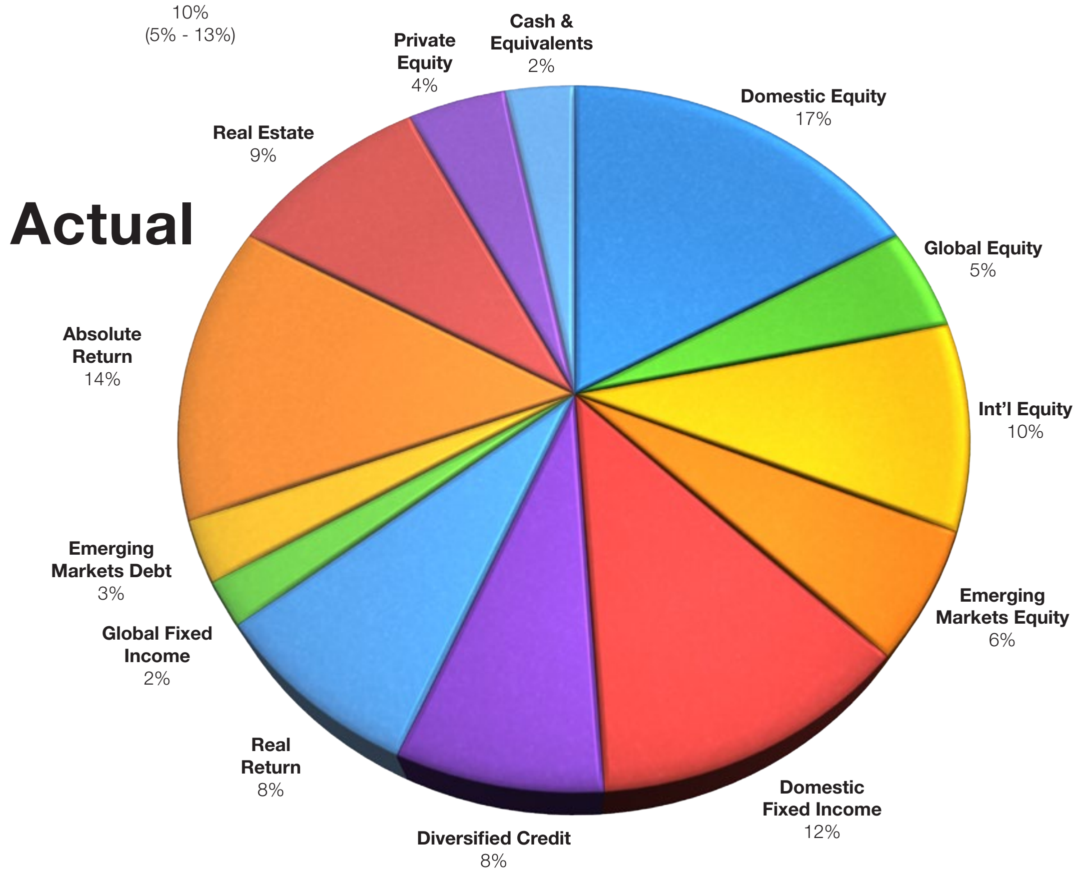
Program Administration and Manager Structure

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 strategic plan. So, 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.

Asset Diversification

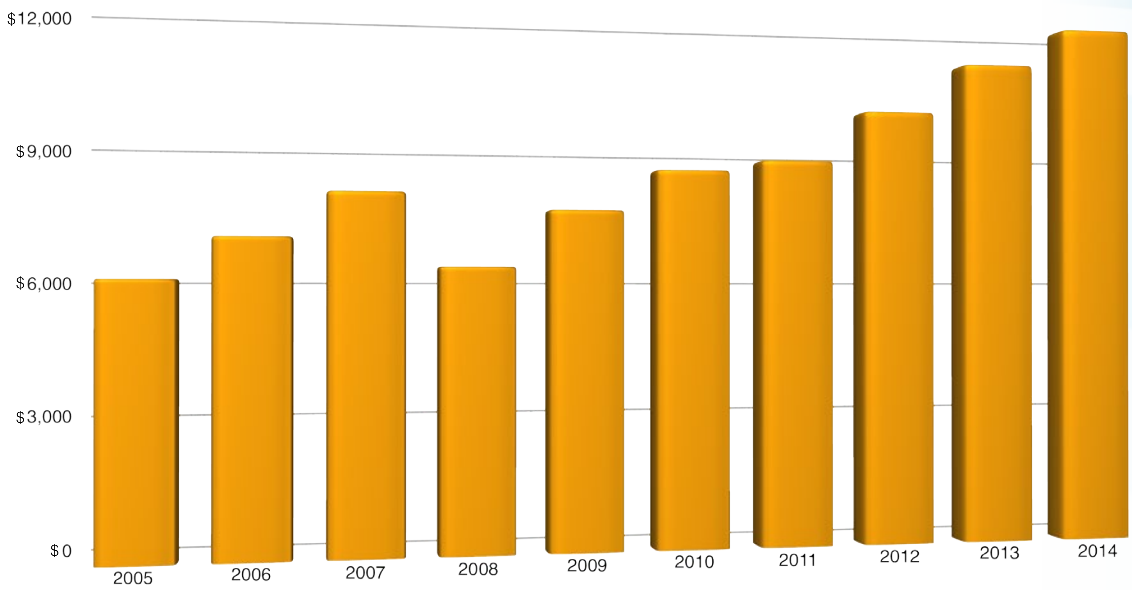
December 31, 2014





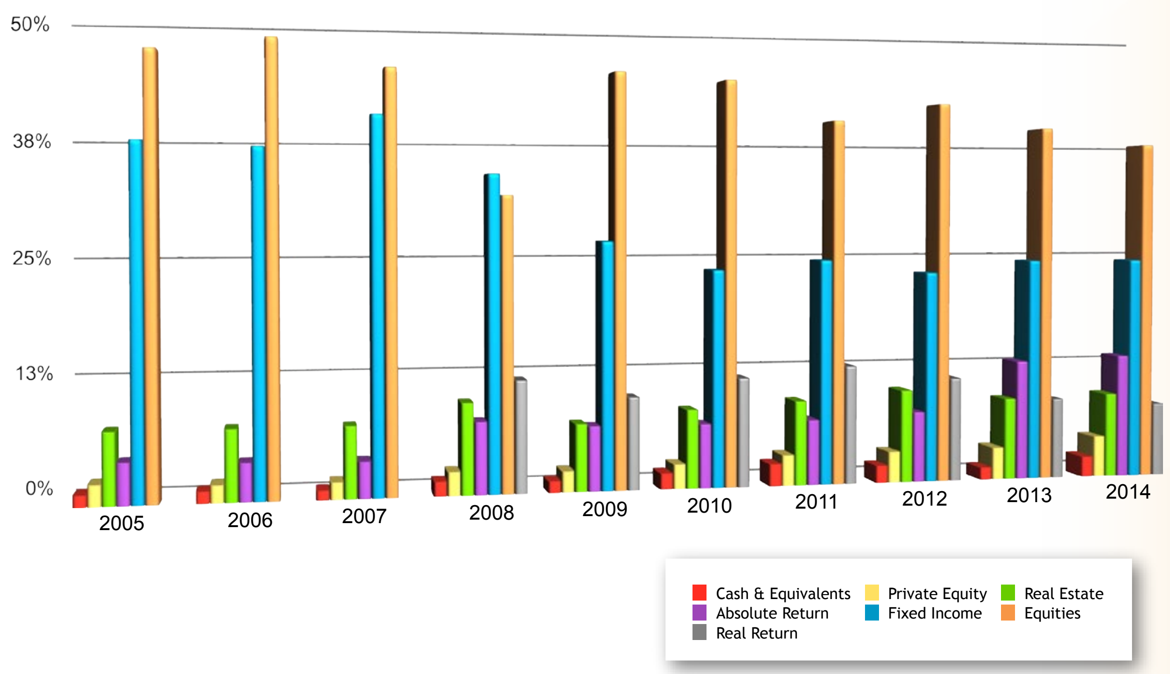
Growth of System Net Assets at Fair Value

for Ten Year Ended December 31, 2014
(in Millions of Dollars)



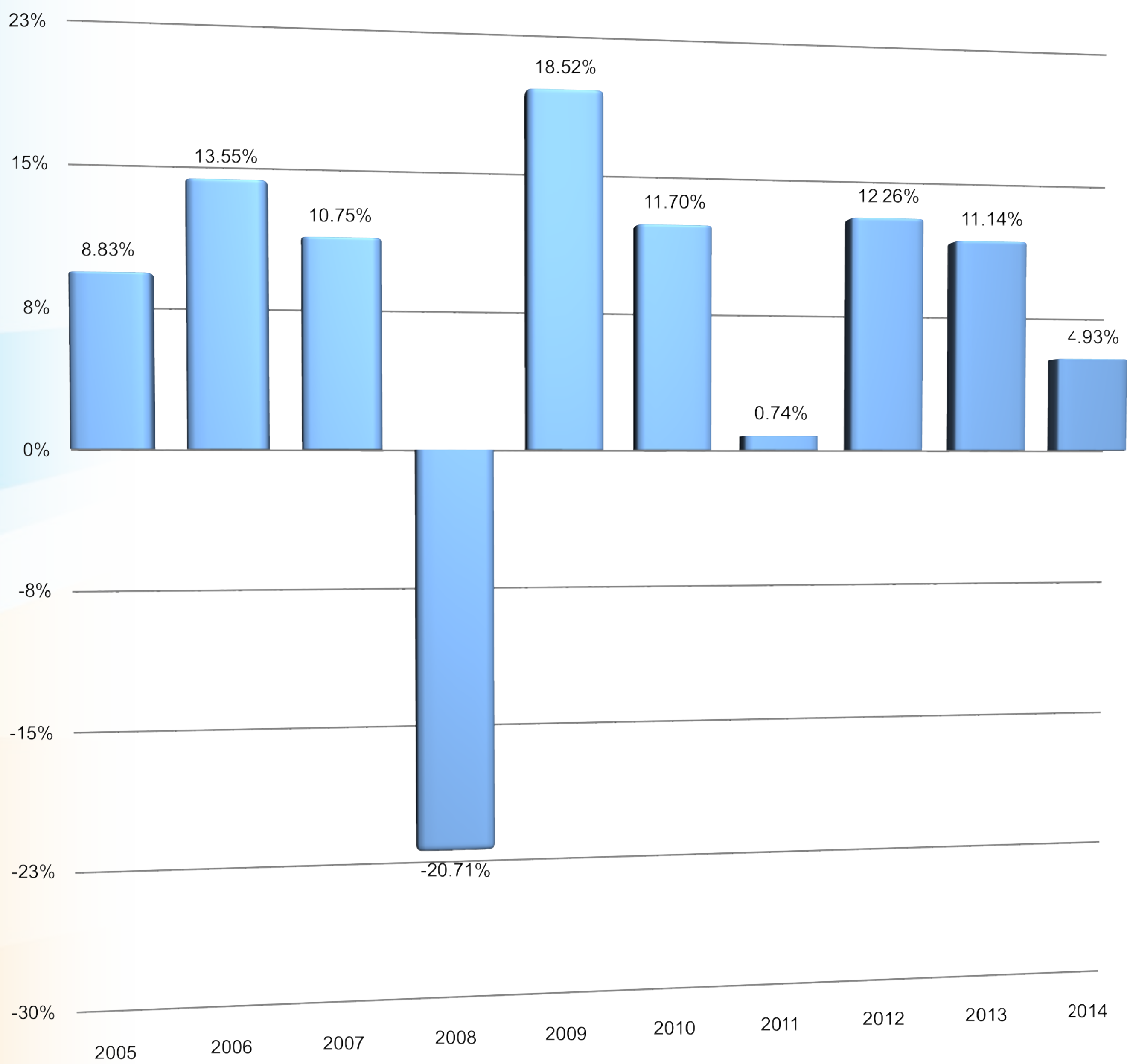
Historical Asset Allocation

December 2004 - December 2014
(Actual)



History of Performance

December 2005 - December 2014
(Actual)



Schedule of Commissions

(Amounts in Thousands)

Broker Name	Number of Shares Traded	Commission per Share (in cents)	Total Commission
Aviate Global LLP	189	7.16	$ 14
Bank of New York	1,397	0.65	9
Barclays Capital	1,267	1.47	19
Bloomberg Tradebook, LLC	1,100	1.72	19
BNP Paribas	599	0.80	5
Calyon Securities	862	0.41	4
CIMB Securities	2,710	0.43	12
Citigroup Global Markets, Inc.	9,473	0.53	50
CLSA Securities	1,939	1.04	20
Credit Lyonnais Securities (Asia)	2,946	0.30	9
Credit Suisse Securities	2,489	1.48	37
CS First Boston (Hong Kong) Limited	2,091	0.33	7
Daewoo Securities Co. Limited	60	21.51	13
Daiwa Securities	1,265	0.78	10
Deutsche Bank	8,410	0.47	40
Goldman Sachs	14,642	0.46	67
Goodbody Stockbrokers	3,381	0.10	4
Hong Kong and Shanghai Banking Corp	747	0.19	1
HSBC	1,231	1.03	13
Instinet	3,578	0.41	15
Investec Bank Plc	1,093	0.48	5
Investment Technology Group	2,952	1.47	43
J.P. Morgan Securities	2,317	1.08	25
Jefferies	1,245	1.95	24
Liberum Capital Limited	1,299	0.96	12
Liquidnet	833	0.52	4
MacQuarie	2,333	1.00	23
Main First Bank DE	157	9.40	15
Merrill Lynch & Company, Inc.	13,953	0.57	80
Mizuho Securities, Inc.	672	1.13	8
Morgan Stanley & Company, Inc.	10,409	0.67	70
Parel	1,589	0.73	12
Redburn Partners LLP	644	0.61	4
Robert W. Baird Co., Inc.	453	2.47	11
Sanford C. Bernstein And Co., LLC	3,386	1.03	35
Six Sis AG	87	12.81	11
Societe Generale Hong Kong	793	0.44	3
Societe Generale London Branch	1,924	1.14	22
Svenska Handelsbanken	362	3.73	14
UBS	18,933	0.67	127
William Blair & Company LLC	804	1.10	9
Other*	9,575	1.86	178
Total	**136,189**	**0.81**	**$ 1,103**

* Other includes 148 additional firms that comprise approximately 16% of total commissions and 7% of the total number of shares traded. The average commission per share is $0.81.

Commission Recapture Program

OCERS implemented a direct brokerage program where investment managers are encouraged to 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, ConvergEx Group, and State Street Bank.

Schedule of Investment Expenses

For the Year Ended December 31, 2014
(Dollars in Thousands)

Investment Management Fees	
Real Return	$ 5,442
International Equity Securities	5,164
Emerging Markets Equity	3,979
Domestic Fixed Income	3,432
Real Estate	3,284
Absolute Return	2,988
Global Equity Securities	1,849
Domestic Equity Securities	1,744
Private Equity	1,408
Diversified Credit	594
Global Fixed Income	509
Total Investment Management Fees	**30,393**
Foreign Income Tax Expense / Other	**10,216**
Other Investment Expenses	**2,939**
Security Lending Activity	
Security Lending Activity	365
Rebate Fees	4
Total Security Lending Activity	**369**
Total Investment Expenses	**$ 43,917**

Investment Summary

For the Year Ended December 31, 2014
(Dollars in Thousands)

Investment	Fair Value	Percentage
Domestic Equity Securities	$ 2,012,282	17%
International Equity Securities	1,128,186	10%
Global Equity Securities	569,481	5%
Domestic Fixed Income	1,381,047	12%
Global Fixed Income	286,217	2%
Real Estate	1,112,538	10%
Diversified Credit	906,263	8%
Emerging Markets Equity	706,087	6%
Emerging Markets Debt	333,421	3%
Real Return	946,099	8%
Absolute Return	1,629,286	14%
Private Equity	542,337	5%
Total*	**$ 11,553,244**	**100%**

* The table above does not include the fair value of OPEB 115 Agency Funds held by OCERS in an investment capacity.

Schedule of Largest Equity Holdings

(by Market Value) [1, 2]

As of December 31, 2014
(Amounts in Thousands)

Common Stock	Shares	Market Value
Roche Holding AG	73	$ 19,956
Novartis AG Reg	133	12,376
ASML Holding NV	107	11,557
Nissan Motor Co LTD	992	8,744
AIA Group LTD	1,456	8,104
Daimler AG Registered Shares	96	8,035
Compagnie De Saint Gobain	188	8,008
Microsoft Corporation	162	7,505
Total SA	144	7,394
AXA SA	315	7,313

Schedule of Largest Fixed Income Holdings

(by Market Value) [1]

As of December 31, 2014
(Amounts in Thousands)

Asset	CPN / Maturity	Market Value
US TREASURY N/B	1.6% / 07-31-2019	$ 88,738
BWU009QK6 IRS USD R V 03MLIBOR	0.2% / 07-15-2017	88,300
SWU00A1E4 IRS AUD R F 3.25000	3.3% / 09-21-2017	85,475
SWU008HJ1 IRS AUD R F 3.50000	3.5% / 03-16-2017	73,771
SWU007L33 IRS AUD R F 4.00000	4.0% / 06-18-2018	58,948
SWU00B6O5 IRS AUD R F 3.25000	3.3% / 12-20-2018	52,719
BWU009FM4 IRS USD R V 03MLIBOR	0.2% / 12-17-2019	41,300
SWU008WJ4 IRS USD R F 1.75000	1.8% / 06-15-2017	35,198
US TREASURY N/B	2.4% / 08-15-2024	27,704
BWU009E03 IRS USD R V 03MLIBOR	0.2% / 12-17-2021	26,000

[1] A complete list of portfolio holdings is available for review at the OCERS' office.

[2] The holding schedules pertain to holdings of individual securities; they do not reflect OCERS' investments in commingled funds.

List of Investment Managers

As of December 31, 2014

Domestic Equity
Artisan Partners
BlackRock Institutional Trust Company
Eagle Asset Management

Domestic Fixed Income
BlackRock Institutional Trust Company
Loomis, Sayles & Company
Pacific Investment Management Company

International Equity
AQR Capital Management, LLC
AXA Rosenberg Investment Management, LLC
BlackRock Institutional Trust Company
Capital Guardian Trust Company
Mercator Asset Management
Mondrian Investment Partners, Ltd.
Parametric
Pyramis Global Advisors

Global Equity
Franklin Templeton Investments
Grantham, Mayo, Van Otterloo & Co., LLC
J.P. Morgan Asset Management

Global Fixed Income
GAM Holding AG
Mondrian Investment Partners, Ltd.

Diversified Credit
Brigade Capital Management
Capula Investment Management
CQS
Crescent Capital Group
Hayfin Capital Management
Monroe Capital
NXT Capital
OCP Asia
Park Square Capital
Pacific Investment Management Company
Tennenbaum Capital Partners, LLC
Tricadia Capital Management

Emerging Markets Debt
Bluebay Asset Management
Pictet Asset Management

Emerging Markets Equity
Acadian Asset Management
City of London Investment Management
William Blair & Co.

Cash Overlay
Parametric

Securities Lending Program
State Street Corporation

Absolute Return
Archer Capital Management
Beach Point Capital Management
BlueCrest Capital Management
Bridgewater Associates, Inc.
Caspian Capital Advisors
D.E Shaw Group
Fore Research & Management
Gotham Asset Management
Grantham, Mayo, Van Otterloo & Co., LLC
Highfields Capital
Hoplite Capital Management
Ionic Capital Management
OCH-Ziff Capital Management Group
Perry Capital
Pharo Global Advisors
Pacific Investment Management Company
Standard Life Investments
Venor Capital Management

Real Return
AQR Capital Management, LLC
BTG Pactual
EIG Global Energy Partners
EnerVest, Ltd.
Hancock Agricultural Investment Group
Hancock Timber Resource Group
Kayne Anderson Capital Advisors
Pacific Investment Management Company
Schroder Investment Management
UBS AgriVest, LLC
Wellington Management

Real Estate
Domestic
AEW Capital Management
Angelo Gordon & Co.
ASB Capital Management
BlackRock Institutional Trust Company
CB Richard Ellis Investors
J.P. Morgan Asset Management
KTR Capital Partners
Long Wharf Real Estate Partners
Morgan Stanley
Oaktree
True North

Global Real Estate Securities
LaSalle Investment Management

Private Equity
Managers
Abbott Capital
Adams Street Partners
HarbourVest Partners, LLC
Mesirow Financial Private Equity
Pantheon Ventures

San Clemente Pier

Orange County, California

The San Clemente Pier divides the beach into the south and north sections. The section south of the pier is for visitors with families to enjoy body boarding, swimming and castle building. The north section is the local surfing scene. Visitors to the beach can arrive by train with the train stopping on the tracks right next to the sand.

section IV

Actuarial

Segal Consulting

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

June 15, 2015

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

Re: Certification for Pension Plan

Dear Members of the Board:

Segal Consulting (Segal) prepared the December 31, 2014 annual actuarial valuation of the Orange County Employees Retirement System (OCERS). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and OCERS' funding policy that was last reviewed with the Board in 2013. 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, 2014 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, 2014 Actuarial Valuation for Funding Purposes

Actuarial valuations are performed on an annual basis with the last valuation completed as of December 31, 2014. 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, 2014 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 contribution rates take into account market value by recognizing the differences between the actual and expected return on market value over a five-year period. The development of the actuarial value as of December 31, 2014 is provided in the Development of Actuarial and Valuation Value of Assets.

One funding objective of the Plan is to establish 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 5 years. The progress being made toward the realization of the financing objectives through December 31, 2014 is illustrated in the History of Unfunded Actuarial Accrued Liability and the Schedule of Funding Progress.

Segal prepared all of the supporting schedules in the actuarial section of the System's Comprehensive Annual Financial Report (CAFR) based on the results of the December 31, 2014 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, statistical, and financial sections of the System's CAFR is provided below. OCERS' staff prepared the remaining trend data schedules in the statistical section.

Actuarial Section

1. History of Unfunded Actuarial Accrued Liability
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. Short-Term Solvency Test
7. Actuarial Methods and Assumptions
8. Summary of Major Plan Provisions
9. Experience Analysis

Financial Section

10. Schedule of Funding Progress

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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 experience study and the economic assumptions study as of December 31, 2013. All of the assumptions recommended in those studies, including the alternative 3.00% inflation assumption discussed during subsequent presentations, 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, 2016 and any changes in assumptions that result will be reflected in the December 31, 2017 valuation.

In the December 31, 2014 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities increased from 66.0% to 69.8%. The aggregate employer rate (average of the County and all special districts rates combined) has changed from 38.13% of payroll to 37.41% of payroll before the three-year phase-in for Safety Rate Groups as discussed below. The aggregate employee's rate has decreased from 12.47% of payroll to 12.42% of payroll.

Note that the Board adopted a three-year phase-in of the impact of the changes in actuarial assumptions for the employer contribution rates for Safety Rate Groups. After reflecting the three-year phase-in for Safety Rate Groups, the aggregate employer rate calculated in this valuation is 36.53% of payroll.

In the December 31, 2014 valuation, the actuarial value of assets excluded $22 million in unrecognized investment losses, which represented 0.2% of the market value of assets. If these deferred investment losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 69.8% to 69.6% and the aggregate employer contribution rate, expressed as a percent of payroll before the three-year phase-in for Safety Rate Groups, would increase from 37.41% to about 37.5%.

To the best of our knowledge, the December 31, 2014 funding valuation report is complete and accurate and in our opinion presents the Plan's current funding information.

December 31, 2014 GASB Statement 67 Actuarial Valuation for Financial Reporting Purposes

Segal also prepared the December 31, 2014 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 the GASB. Statement 67 replaces Statement 25 and is for plan reporting, effective with the plan year ending December 31, 2014. The new 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, 2014 and 2013 have been determined by rolling forward the Total Pension Liabilities (TPLs) for the statutory Retirement Plan benefits as of December 31, 2013 and December 31, 2012, respectively.

Note number 10 to the Basic Financial Statements and the Required Supplementary Information included in the Financial Section of the CAFR were prepared by the System based on the results of the GASB Statement No. 67 actuarial valuation as of December 31, 2014 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,

Paul Angelo, FSA, MAAA, FCA, EA	Andy Yeung, ASA, MAAA, FCA, EA
Senior Vice President & Actuary	Vice President & Associate Actuary

AW/lsm
Enclosures

5373188v1/05794.002

History of Unfunded Actuarial Accrued Liability

(Dollars in Thousands)

Valuation Date	Actuarial Accrued Liability	Valuation Value of Assets	Unfunded Actuarial Accrued Liability	Ratio of Assets to Actuarial Accrued Liability	Annual Active Member Compensation	Ratio of Unfunded Actuarial Accrued Liability to Active Compensation
12/31/05	$ 8,089,627	$ 5,786,617	$ 2,303,010	71.53%	$ 1,276,764	180.38%
12/31/06	8,765,045	6,466,085	2,298,960	73.77%	1,322,952	173.78%
12/31/07	9,838,686[(1)]	7,288,900	2,549,786[(1)]	74.08%[(1)]	1,457,159	174.98%[(1)]
12/31/08	10,860,715	7,748,380	3,112,335	71.34%	1,569,764	198.27%
12/31/09	11,858,578	8,154,687	3,703,891	68.77%	1,618,491	228.85%
12/31/10	12,425,873	8,672,592	3,753,281	69.79%	1,579,239	237.66%
12/31/11	13,522,978	9,064,355	4,458,623	67.03%	1,619,474	275.31%
12/31/12	15,144,888	9,469,208	5,675,680	62.52%	1,609,600	352.55%
12/31/13	15,785,042	10,417,125	5,367,917	65.99%	1,604,496	334.55%
12/31/14	16,413,124	11,449,911	4,963,213	69.76%	1,648,160	301.14%

[1] Revised due to the Board's adoption of revised retirement rates for General plans with improved benefit formulas.

Notes:

- The 12/31/14 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).

- The 12/31/13 valuation included the following method change:
  The outstanding balance of the December 31, 2012 UAAL was combined and re-amortized over a 20-year period.

- The 12/31/12 valuation included the following changes:

  Assumption Changes:
  Changes in investment return, inflation, and across the board salary increase assumptions in the December 31, 2012 review of economic assumptions report increased the UAAL by $935 million.

  Benefit Changes:
  Members with membership date on or after January 1, 2013 will be placed in CalPEPRA tiers (1.62% of final average salary at age 65, 2.50% of final average salary at age 67 and 2.70% of final average salary at age 57).

- The 12/31/11 valuation included the following changes:

  Assumption Changes:
  Changes in mortality, disability, termination, retirement, salary scale, and additional cashout assumptions in the December 31, 2010 triennial experience study increased the UAAL by $364 million.

  Benefit Changes:
  City of San Juan Capistrano adopted a 2.0% of final average salary at age 57 for members hired on or after July 1, 2012.

  Certain employees previously employed at the City of Santa Ana became employees of OCFA General and OCFA Safety eligible for benefits under 2.0% of final average salary at age 55 and 3.0% of final average salary at age 50, respectively.

History of Unfunded Actuarial Accrued Liability

(continued)

- The 12/31/10 valuation included the following benefit changes:

  LAFCO adopted an optional 1.62% of final average salary at age 65 for members hired on or after July 1, 2010.

  County Managers unit adopted an optional 1.62% of final average salary at age 65 for members hired on or after August 17, 2010.

  Sanitation District adopted a 1.64% of final average salary at age 57 for members within Supervisors and Professional unit hired on or after October 1, 2010.

  OCFA adopted a 3.00% of final average salary at age 55 for Safety members within the Executive Management unit hired on or after July 1, 2011 and for all Safety members hired on or after July 1, 2012.

  OCFA adopted a 2.00% of final average salary at age 55 for General members hired on or after July 1, 2011.

- The 12/31/09 valuation included the following benefit changes:

  General County OCEA and Superior Court adopted an optional 1.62% of final average salary at age 65 for members hired on or after May 7, 2010.

  Law Enforcement adopted a 3.0% of final average salary at age 55 for members hired on or after April 9, 2010.

- The 12/31/08 valuation included the following assumption changes:

  Changes in service retirement rates for General members with improved benefit formulas increased the UAAL by $116 million.

- The 12/31/07 valuation included the following changes:

  Assumption Changes:
  Changes in mortality, disability, termination, retirement, salary scale, and annual payoff assumptions in the December 31, 2007 triennial experience study increased the UAAL by $237 million.

  Benefit Changes:
  There is a new Rate Group #11, for Cemetery District, that adopted a 2% of final average salary at age 55 for future service only effective December 7, 2007. Vector Control District terminated its participation at OCERS as of January 4, 2007.

- The 12/31/06 valuation included the following benefit changes:

  There is a new Rate Group #10, for General members of Orange County Fire Authority (OCFA) (previously with members in Rate Group #2). City of Rancho Santa Margarita (RSM), Rate Group #4, withdrew from OCERS effective November 26, 2006.

- The 12/31/05 valuation included the following assumption changes:

  The System has provided Segal with salary, years of service and eligibility for reciprocal benefit data for terminated vested members. Their benefits are now calculated using those data elements. In the December 31, 2004 valuation, the following assumption was used to estimate their benefits.

  Liability for a current deferred vested member is estimated at 3.35 times the member's total basic plus COLA member contribution account balance.

History of Unfunded Actuarial Accrued Liability

(continued)

- Each year's assets exclude an amount as shown in the following table of the County's unamortized 1994 funding of its portion of the Unfunded Actuarial Accrued Liability, which funding for 1995 was being amortized over a 14 year period beginning July 1, 1994 and for 1996 and later was being amortized over a 28-year period beginning July 1, 1996. Beginning July 1, 2003, the County can utilize this amount at its discretion to fund any portion of the employer contribution.
- Each year since December 31, 2005 the assets also exclude prepaid employer contributions.

	Amount Excluded from Assets	
Valuation Date	**County Investment Acount**	**Prepaid Employer Contributions**
12/31/05	$ 158,219,000	$ 45,925,000
12/31/06	168,224,000	70,941,000
12/31/07	174,348,000	108,301,000
12/31/08	126,683,000	24,345,000
12/31/09	108,324,000	20,027,000
12/31/10	108,531,000	29,545,000
12/31/11	97,767,000	162,873,000
12/31/12	103,261,000	177,632,000
12/31/13	109,254,000	172,348,000
12/31/14	109,103,000	207,829,000

History of Employer Contribution Rates

Employer Contribution Rate (% of pay)

Valuation Date	General (Non-OCTA, Non-OCSD)	General (1.62% @ 65, Non-OCTA)	General (2.7% @ 55)	General (2.0% @ 57)	General (OCTA)	General (2.5% @ 55)	General (1.64% @ 57, OCSD)	General (2.0% @ 55, TCA)
12/31/05[1],[2]	NC 9.33% UAAL 5.00 **Total 14.33%**	NA	NC 11.46% UAAL 11.10 **Total 22.56%**	NA	NC 11.36% UAAL 3.60 **Total 14.96%**	NC 10.54% UAAL 10.33 **Total 20.87%**	NA	NC 11.49% UAAL 5.87 **Total 17.36%**
12/31/06[2],[3]	NC 9.19% UAAL 5.31 **Total 14.50%**	NA	NC 11.36% UAAL 10.84 **Total 22.20%**	NA	NC 11.25% UAAL 4.77 **Total 16.02%**	NC 10.55% UAAL 10.79 **Total 21.34%**	NA	NC 12.03% UAAL 6.01 **Total 18.04%**
12/31/07	NC 8.92% UAAL 5.25 **Total 14.17%**	NA	NC 11.24% UAAL 10.59 **Total 21.83%**	NA	NC 11.26% UAAL 3.76 **Total 15.02%**	NC 10.54% UAAL 11.41 **Total 21.95%**	NA	NC 12.60% UAAL 6.13 **Total 18.73%**
12/31/08	NC 8.99% UAAL 7.06 **Total 16.05%**	NA	NC 11.79% UAAL 13.00 **Total 24.79%**	NA	NC 11.32% UAAL 5.94 **Total 17.26%**	NC 11.19% UAAL 13.01 **Total 24.20%**	NA	NC 13.02% UAAL 5.72 **Total 18.74%**
12/31/09[4]	NC 8.69% UAAL 10.43 **Total 19.12%**	NC 3.69% UAAL 15.50 **Total 19.19%**	NC 11.61% UAAL 15.50 **Total 27.11%**	NA	NC 11.11% UAAL 9.28 **Total 20.39%**	NC 10.93% UAAL 14.75 **Total 25.68%**	NC 10.14% UAAL 14.75 **Total 24.89%**	NC 12.59% UAAL 7.05 **Total 19.64%**
12/31/10[5]	NC 8.59% UAAL 8.26 **Total 16.85%**	NC 5.10% UAAL 16.84 **Total 21.94%**	NC 11.55% UAAL 16.84 **Total 28.39%**	NA	NC 10.96% UAAL 10.00 **Total 20.96%**	NC 10.92% UAAL 16.55 **Total 27.47%**	NC 10.14% UAAL 16.55 **Total 26.69%**	NC 12.56% UAAL 8.41 **Total 20.97%**
12/31/11	NC 8.55% UAAL 10.39 **Total 18.94%**	NC 4.91% UAAL 20.98 **Total 25.89%**	NC 12.03% UAAL 20.98 **Total 33.01%**	NC 10.99% UAAL 20.98 **Total 31.97%**	NC 10.57% UAAL 13.08 **Total 23.65%**	NC 11.29% UAAL 20.66 **Total 31.95%**	NC 10.11% UAAL 20.66 **Total 30.77%**	NC 13.11% UAAL 9.11 **Total 22.22%**
12/31/12 With 2-Year Phase-In	NC 9.68% UAAL 12.91 **Total 22.59%** **21.04%**	NC 5.56% UAAL 25.85 **Total 31.41%** **29.84%**	NC 13.69% UAAL 25.85 **Total 39.54%** **37.45%**	NC 12.10% UAAL 25.85 **Total 37.95%** **35.96%**	NC 11.83% UAAL 16.48 **Total 28.31%** **26.62%**	NC 12.88% UAAL 25.60 **Total 38.48%** **36.57%**	NC 11.02% UAAL 25.60 **Total 36.62%** **34.87%**	NC 14.20% UAAL 12.97 **Total 27.17%** **25.71%**
12/31/13[6]	NC 9.82% UAAL 11.34 **Total 21.16%**	NC 5.61% UAAL 23.72 **Total 29.33%**	NC 13.66% UAAL 23.72 **Total 37.38%**	NC 12.46% UAAL 23.72 **Total 36.18%**	NC 11.81% UAAL 15.22 **Total 27.03%**	NC 12.89% UAAL[7] 21.87 **Total 34.76%**	NC 10.53% UAAL[7] 21.87 **Total 32.40%**	NC 14.13% UAAL 12.28 **Total 26.41%**
12/31/14[8] With 3-Year Phase-In	NC 9.67% UAAL 8.62 **Total 18.29%** N/A	NC 5.49% UAAL 21.72 **Total 27.21%** N/A	NC 13.22% UAAL 21.72 **Total 34.94%** N/A	NC 10.54% UAAL 21.72 **Total 32.26%** N/A	NC 10.78% UAAL 14.40 **Total 25.18%** N/A	NC 12.40% UAAL[10] 6.26 **Total 18.66%** N/A	NC 10.30% UAAL 6.26 **Total 16.56%** N/A	NC 13.59% UAAL 12.78 **Total 26.37%** N/A

History of Employer Contribution Rates

(continued)

Employer Contribution Rate (% of pay)

Valuation Date	General (2.0% @ 55, Cemetery, future service)	General (2.7% @ 55, OCFA)	General (2.0% @ 55, OCFA)	Safety Law Enforcement (3% @ 50)	Safety Law Enforcement (3% @ 55)	Safety Fire Authority (3% @ 50)	Safety Fire Authority (3% @ 55)	Safety Probation
12/31/05[1,2]	See General (Non-OCTA)	See General (2.7% @ 55)	NA	NC 20.15% UAAL 17.18 **Total 37.33%**	NA	NC 20.04% UAAL 13.98 **Total 34.02%**	NA	NC 20.76% UAAL 11.18 **Total 31.94%**
12/31/06[2,3]	NC 10.31% UAAL 5.00 **Total 15.31%**	NC 11.43% UAAL 12.81 **Total 24.24%**	NA	NC 20.19% UAAL 15.86 **Total 36.05%**	NA	NC 19.93% UAAL 13.50 **Total 33.43%**	NA	NC 20.61% UAAL 11.64 **Total 32.25%**
12/31/07	NC 10.79% UAAL 4.36 **Total 15.15%**	NC 11.48% UAAL 11.53 **Total 23.01%**	NA	NC 21.27% UAAL 18.25 **Total 39.52%**	NA	NC 21.02% UAAL 17.22 **Total 38.24%**	NA	NC 20.49% UAAL 10.90 **Total 31.39%**
12/31/08	NC 10.85% UAAL 7.05 **Total 17.90%**	NC 12.03% UAAL 12.59 **Total 24.62%**	NA	NC 21.39% UAAL 21.95 **Total 43.34%**	NA	NC 21.16% UAAL 21.94 **Total 43.10%**	NA	NC 20.15% UAAL 12.03 **Total 32.18%**
12/31/09[4]	NC 11.24% UAAL 6.92 **Total 18.16%**	NC 11.98% UAAL 14.55 **Total 26.53%**	NC 11.11% UAAL 14.55 **Total 25.66%**	NC 21.13% UAAL 25.26 **Total 46.39%**	NC 20.38% UAAL 25.26 **Total 45.64%**	NC 21.31% UAAL 27.22 **Total 48.53%**	NC 18.30% UAAL 27.22 **Total 45.52%**	NC 20.17% UAAL 13.90 **Total 34.07%**
12/31/10[5]	NC 10.90% UAAL 6.86 **Total 17.76%**	NC 11.85% UAAL 16.14 **Total 27.99%**	NC 11.11% UAAL 16.14 **Total 27.25%**	NC 21.05% UAAL 26.40 **Total 47.45%**	NC 20.38% UAAL 26.40 **Total 46.78%**	NC 21.54% UAAL 23.92 **Total 45.46%**	NC 18.30% UAAL 23.92 **Total 42.22%**	NC 20.07% UAAL 16.22 **Total 36.29%**
12/31/11	NC 10.80% UAAL 8.23 **Total 19.03%**	NC 12.18% UAAL 20.43 **Total 32.61%**	NC 14.35% UAAL 20.43 **Total 34.78%**	NC 21.48% UAAL 29.38 **Total 50.86%**	NC 21.47% UAAL 29.38 **Total 50.85%**	NC 23.49% UAAL 19.66 **Total 43.15%**	NC 18.58% UAAL 19.66 **Total 38.24%**	NC 19.31% UAAL 17.26 **Total 36.57%**
12/31/12	NC 12.34% UAAL 12.28 **Total 24.62%** **22.99%**	NC 13.92% UAAL 24.76 **Total 38.68%** **36.70%**	NC 14.01% UAAL 24.76 **Total 38.77%** **36.99%**	NC 24.24% UAAL 36.71 **Total 60.95%** **57.27%**	NC 24.20% UAAL 36.71 **Total 60.91%** **57.37%**	NC 26.16% UAAL 26.84 **Total 53.00%** **49.83%**	NC 21.12% UAAL 26.84 **Total 47.96%** **44.85%**	NC 21.26% UAAL 21.91 **Total 43.17%** **40.52%**
12/31/13[6]	NC 12.33% UAAL[7] 9.87 **Total 22.20%**	NC 14.06% UAAL 23.34 **Total 37.40%**	NC 14.15% UAAL 23.34 **Total 37.49%**	NC 24.23% UAAL 32.47 **Total 56.70%**	NC 22.58% UAAL 32.47 **Total 55.05%**	NC 25.86% UAAL 24.14 **Total 50.00%**	NC 21.70% UAAL 24.14 **Total 45.84%**	NC 21.00% UAAL 19.72 **Total 40.72%**
12/31/14[8]	NC 11.79% UAAL 0.00 **Total 11.79%**	NC 13.53% UAAL 20.28 **Total 33.81%**	NC 12.47% UAAL 20.28 **Total 32.75%**	NC 25.79% UAAL 37.46 **Total 63.25%**	NC 23.55% UAAL 37.46 **Total 61.01%**	NC 27.05% UAAL 24.42 **Total 51.47%**	NC 22.38% UAAL 24.42 **Total 46.80%**	NC 22.17% UAAL 25.01 **Total 47.18%**
With 3-Year Phase-In	N/A	N/A	N/A	58.92%	56.88%	48.60%	43.93%	42.84%

History of Employer Contribution Rates

(continued)

Employer Contribution Rate (% of pay)

Valuation Date	CalPEPRA Rate Group #1 2.5% @ 67	CalPEPRA Rate Group #2 1.62% @ 65	CalPEPRA Rate Group #2 2.5% @ 67	CalPEPRA Rate Group #3 2.5% @ 67	CalPEPRA Rate Group #5 2.5% @ 67	CalPEPRA Rate Group #9 2.5% @ 67	CalPEPRA Rate Group #10 2.5% @ 67	CalPEPRA Rate Group #11 2.5% @ 67
12/31/10	NC 7.24% UAAL 8.26 **Total 15.50%**	NC 5.78% UAAL 16.84 **Total 22.62%**	NC 7.64% UAAL 16.84 **Total 24.48%**	NC 8.34% UAAL 16.55 **Total 24.89%**		NC 9.78% UAAL 8.41 **Total 18.19%**	NC 7.36% UAAL 16.14 **Total 23.50%**	NC 7.31% UAAL 6.86 **Total 14.17%**
12/31/11	NC 8.06% UAAL 10.39 **Total 18.45%**	NC 6.20% UAAL 20.98 **Total 27.18%**	NC 8.26% UAAL 20.98 **Total 29.24%**	NC 8.70% UAAL 20.66 **Total 29.36%**		NC 10.36% UAAL 9.11 **Total 19.47%**	NC 7.84% UAAL 20.43 **Total 28.27%**	NC 7.95% UAAL 8.23 **Total 16.18%**
12/31/12	NC 8.68% UAAL 12.91 **Total 21.59%** **20.33%**	NC 6.78% UAAL 25.85 **Total 32.63%** **31.10%**	NC 7.44% UAAL 25.85 **Total 33.29%** **32.05%**	NC 9.38% UAAL 25.60 **Total 34.98%** **33.52%**		NC 10.97% UAAL 12.97 **Total 23.94%** **22.87%**	NC 8.50% UAAL 24.76 **Total 33.26%** **31.81%**	NC 8.66% UAAL 12.28 **Total 20.94%** **19.63%**
12/31/13	NC 9.39% UAAL 11.34 **Total 20.73%**	NC 6.70% UAAL 23.72 **Total 30.42%**	NC 8.56% UAAL 23.72 **Total 32.28%**	NC 9.66% UAAL[7] 21.87 **Total 31.53%**		NC 11.40% UAAL 12.28 **Total 23.68%**	NC 9.71% UAAL 23.34 **Total 33.05%**	NC 8.66% UAAL[7] 9.87 **Total 18.53%**
12/31/14	NC 8.87% UAAL[9] 8.62 **Total 17.49%**	NC 6.61% UAAL 21.72 **Total 28.33%**	NC 8.33% UAAL 21.72 **Total 30.05%**	NC 9.00% UAAL[10] 6.26 **Total 15.26%**	NC 10.04% UAAL 14.40 **Total 24.44%**	NC 9.85% UAAL 6.26 **Total 18.66%**	NC 9.63% UAAL 20.28 **Total 29.91%**	NC 11.81% UAAL 0.00 **Total 11.81%**
With 3-Year Phase-In	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

History of Employer Contribution Rates

(continued)

Employer Contribution Rate (% of pay)

Valuation Date	CalPEPRA Rate Group #6 2.7% @ 57	CalPEPRA Rate Group #7 2.7% @ 57	CalPEPRA Rate Group #8 2.7% @ 57
12/31/10	NC 11.37% UAAL 16.22 **Total 27.59%**	NC 15.03% UAAL 26.40 **Total 41.43%**	NC 14.53% UAAL 23.92 **Total 38.45%**
12/31/11	NC 12.23% UAAL 17.26 **Total 29.49%**	NC 15.55% UAAL 29.38 **Total 44.93%**	NC 15.23% UAAL 19.66 **Total 34.89%**
12/31/12	NC 13.91% UAAL 12.91 **Total 35.82%** **33.40%**	NC 17.05% UAAL 36.71 **Total 53.76%** **50.61%**	NC 16.41% UAAL 26.84 **Total 43.25%** **40.96%**
12/31/13 With 2-Year Phase-In	NC 13.95% UAAL 19.72 **Total 33.67%**	NC 19.17% UAAL 32.47 **Total 51.64%**	NC 16.85% UAAL 24.14 **Total 40.99%**
12/31/14	NC 15.25% UAAL 25.01 **Total 40.26%**	NC 20.10% UAAL 37.46 **Total 57.56%**	NC 15.71% UAAL 24.42 **Total 40.13%**
With 3-Year Phase-In	36.02%	54.01%	38.08%

(1) After reflecting three-year phase-in of the total rate increase calculated in the 2004 and 2005 valuations for OCTA.

(2) Excludes contributions to RMBR/ABRA, if applicable.

(3) Starting 12/31/2006, General (2.7% @ 55) excludes OCFA.

(4) The UAAL established as a result of including additional premium pay items is amortized over a 25-year period.

(5) The UAAL established as a result of reallocating contributions and benefit payments among Rate Groups is amortized over a 24-year period.

(6) The outstanding balance of the December 31, 2012 UAAL has been combined and re-amortized over a period of 20 years.

(7) This rate has not been adjusted to reflect additional UAAL contributions paid subsequent to the December 31, 2013 valuation.

(8) Before reflecting any phase-in due to the changes in actuarial assumptions for Safety Rate Groups.

(9) The Board is in the process of reviewing the prior policy it has followed to pay off the UAAL. Under the prior policy, UAAL was allocated based on payroll and that was used to determine the employer's contributions. We understand that a new policy is being finalized that no longer allocates UAAL based on payroll. The new policy would reduce the UAAL rate for the County and O.C. IHSS Public Authority (i.e., excluding UCI and Department of Education) to about 5.67% as of December 31, 2014.

(10) This is the UAAL rate for O.C. Sanitation District after reflecting their additional UAAL contributions. The UAAL rate for Law Library is 20.21% (before reflecting a credit for Law Library's future service only benefit improvement).

Summary of Active Membership

Valuation Date	Number	Annual Salary	Annual Average Salary	Increase in Average Salary (%)
12/31/05				
General	18,816	$ 1,011,214,000	$ 53,742	1.41
Safety	3,651	265,550,000	72,733	2.33
Total	**22,467**	**$ 1,276,764,000**	**$ 56,828**	**1.72**
12/31/06				
General	19,129	$ 1,049,095,000	$ 54,843	2.05
Safety	3,662	273,857,000	74,783	2.82
Total	**22,791**	**$ 1,322,952,000**	**$ 58,047**	**2.15**
12/31/07				
General	19,803	$ 1,156,684,000	$58,410	6.50
Safety	3,815	300,475,000	78,761	5.32
Total	**23,618**	**$ 1,457,159,000**	**$61,697**	**6.29**
12/31/08				
General	19,795	$ 1,238,077,000	$62,545	7.08
Safety	3,925	331,687,000	84,506	7.29
Total	**23,720**	**$ 1,569,764,000**	**$66,179**	**7.26**
12/31/09				
General	18,873	$ 1,258,558,000	$66,686	6.62
Safety	3,760	359,933,000	95,727	13.28
Total	**22,633**	**$ 1,618,491,000**	**$71,510**	**8.06**
12/31/10				
General	18,155	$ 1,232,657,000	$67,896	1.81
Safety	3,587	346,582,000	96,622	0.93
Total	**21,742**	**$ 1,579,239,000**	**$72,635**	**1.57**
12/31/11				
General	17,717	$ 1,249,064,000	$70,501	3.84
Safety	3,704	370,410,000	100,003	3.50
Total	**21,421**	**$ 1,619,474,000**	**$75,602**	**4.08**
12/31/12				
General	17,529	$ 1,238,958,000	$70,680	0.25
Safety	3,727	370,643,000	99,448	-0.55
Total	**21,256**	**$ 1,609,601,000**	**$75,725**	**0.16**
12/31/13				
General	17,547	$ 1,227,153,000	$69,935	-1.05
Safety	3,821	377,343,000	98,755	-0.70
Total	**21,368**	**$ 1,604,496,000**	**$75,089**	**-0.84**
12/31/14				
General	17,705	$ 1,267,582,000	$71,595	2.37
Safety	3,754	380,578,000	101,379	2.66
Total	**21,459**	**$ 1,648,160,000**	**$76,805**	**2.29**

Excludes Deferred and Pending members.

Summary of Retired Membership

Plan Year Ending	At Beginning of Year	Added to Rolls		Removed from Rolls		At End of Year	Annual Allowance (in 000's)	% Increase in Annual Allowance	Average Monthly Allowance
		Number	Annual Allowance (in 000's)*	Number	Annual Allowance (in 000's)				
2005	9,433	1,024	$ 56,669	(239)	$ (4,081)	10,218	$ 285,449	22.58	$ 2,328
2006	10,218	965	46,950	(268)	(5,580)	10,915	326,819	14.49	2,495
2007	10,915	817	41,552	(311)	(6,596)	11,421	361,775	10.70	2,640
2008	11,421	658	38,298	(301)	(6,426)	11,778	393,647	8.81	2,785
2009	11,778	744	32,435	(279)	(6,829)	12,243	419,253	6.50	2,854
2010	12,243	851	46,736	(332)	(8,334)	12,762	457,655	9.16	2,988
2011	12,762	888	45,913	(361)	(9,371)	13,289	494,197	7.98	3,099
2012	13,289	1,026	58,344	(368)	(9,036)	13,947	543,505	9.98	3,247
2013	13,947	911	52,319	(353)	(9,958)	14,505	585,866	7.79	3,366
2014	14,505	995	52,838	(331)	(9,812)	15,169	628,892	7.34	3,455

* Includes COLA granted during the plan year.

Note: Annual allowances exclude RMBR and STAR COLA.

Development of Actuarial and Valuation Value of Assets

As of December 31, 2014

Plan Year Ending	Total Actual Market Return (net)	Expected Market Return (net)	Investment Gain/ (Loss)	Deferred Factor	Deferred Return
2011	$ 3,236,000	$ 651,782,000	$ (648,546,000)	0.2	$ (129,709,000)
2012	1,014,471,000	659,447,000	355,024,000	0.4	142,010,000
2013	1,031,118,000	696,553,000	334,565,000	0.6	200,739,000
2014	487,104,000	780,627,000	(293,523,000)	0.8	(234,818,000)

(1)	Total Deferred Return	$(21,778,000)	
(2)	Net Market Value of Assets (Excludes $109,103,000 in County Investment Account and $207,829,000 in Prepaid Employer Contributions)	$11,428,223,000	*
(3)	Actuarial Value of Assets (2) – (1)	$11,450,001,000	**
(4)	Non-valuation Reserves		
	(a) Unclaimed member deposit	$0	
	(b) Medicare medical insurance reserve	90,000	
	(c) Subtotal	$90,000	
(5)	Valuation Value of Assets (3) – (4)(c)	$11,449,911,000	
(6)	Deferred Return Recognized in Each of the Next 4 Years		
	(a) Amount recognized on 12/31/2015	$(50,495,000)	
	(b) Amount recognized on 12/31/2016	79,213,000	
	(c) Amount recognized on 12/31/2017	8,209,000	
	(d) Amount recognized on 12/31/2018	(58,705,000)	
	(e) Subtotal (may not total exactly due to rounding)	$(21,778,000)	

* Based on the unaudited financial statement provided by OCERS for the December 31, 2014 valuation.

** Ratio of Actuarial Value of Assets to Net Market Value of Assets is 100.2% ((3) / (2)).

Short-Term Solvency Test

(Dollars in Thousands)

Valuation Date	(1) Active Member Contributions	(2) Liability for Inactive Participants	(3) Liability for Active Members (Employer Financed Portion)	Valuation Value of Assets	Portion of Accrued Liability Covered by Valuation Assets (%)		
					(1)	(2)	(3)
12/31/05	$ 1,002,279	$ 3,723,611	$ 3,363,737	$ 5,786,617	100	100	31.53
12/31/06	1,087,804	4,274,829	3,402,412	6,466,085	100	100	32.43
12/31/07	1,215,825	4,803,585	3,819,276[1]	7,288,900	100	100	33.24[1]
12/31/08	1,376,514	5,211,893	4,272,308	7,748,380	100	100	27.15
12/31/09	1,536,849	5,680,031	4,641,698	8,154,687	100	100	20.20
12/31/10	1,680,401	6,107,350	4,638,122	8,672,592	100	100	19.08
12/31/11	1,829,406	6,881,152	4,812,420	9,064,355	100	100	7.35
12/31/12	1,967,117	7,919,478	5,258,293	9,469,208	100	94.73	0.00
12/31/13	2,126,182	8,502,269	5,156,591	10,417,125	100	97.51	0.00
12/31/14	2,298,744	9,017,874	5,096,506	11,449,911	100	100	2.62

[1] Revised due to the Board's adoption of revised retirement rates for General plans with improved benefit formulas.

Section 1 - Post – Retirement Mortality Rates:

Healthy:

For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.

For Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years.

Disabled:

For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set forward six years for males and set forward three years for females.

For Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020.

The mortality tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience in the January 1, 2011 through December 31, 2013 Actuarial Experience Study.

Beneficiaries are assumed to have the same mortality as a General Member of the opposite sex who is receiving a service (non-disability) retirement.

Employee Contribution Rates:

For General Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 weighted 40% male and 60% female.

For Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 with ages set back two years weighted 80% male and 20% female.

Section 2 - Termination Rates Before Retirement:

Mortality Rate Percentages				
	General		Safety	
Age	Male	Female	Male	Female
25	0.04	0.02	0.04	0.02
30	0.04	0.02	0.04	0.02
35	0.07	0.04	0.06	0.04
40	0.10	0.07	0.09	0.06
45	0.14	0.11	0.12	0.09
50	0.20	0.16	0.18	0.14
55	0.34	0.25	0.27	0.21
60	0.59	0.41	0.48	0.33
65	1.00	0.76	0.82	0.60

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.

Section 2 - Termination Rates Before Retirement (Continued):

Disability Incidence Rates

Disability Incidence Rate Percentages				
	General		Safety	
Age	All Other[1]	OCTA[2]	Law & Fire[3]	Probation[3]
20	0.00	0.00	0.00	0.00
25	0.00	0.00	0.01	0.03
30	0.01	0.03	0.04	0.08
35	0.03	0.20	0.14	0.10
40	0.08	0.36	0.26	0.10
45	0.11	0.43	0.42	0.16
50	0.14	0.48	0.92	0.20
55	0.18	0.74	1.98	0.23
60	0.29	1.41	5.20	0.10

(1) 55% of General All Other disabilities are assumed to be service connected disabilities. The other 45% are assumed to be non-service connected.

(2) 65% of General - OCTA disabilities are assumed to be service connected disabilities. The other 35% are assumed to be non-service connected.

(3) 100% of Safety – Law Enforcement, Fire and Probation disabilities are assumed to be service connected disabilities.

Section 2 - Termination Rates Before Retirement (Continued):

Termination Rates

Termination Rate Percentages				
	General		Safety	
Years of Service	All Other[1]	OCTA[2]	Law & Fire[3]	Probation[4]
0	11.00	17.50	4.00	16.00
1	8.00	13.50	3.00	13.00
2	7.00	10.50	2.00	10.00
3	5.00	10.00	1.00	6.00
4	4.00	9.00	1.00	4.00
5	3.75	7.00	1.00	3.50
6	3.50	5.00	0.95	3.00
7	3.00	5.00	0.90	2.50
8	2.75	4.00	0.85	2.25
9	2.50	3.50	0.80	2.00
10	2.25	3.50	0.75	1.75
11	2.00	3.50	0.65	1.75
12	2.00	3.00	0.60	1.50
13	1.75	3.00	0.50	1.25
14	1.75	3.00	0.50	1.00
15	1.75	3.00	0.50	1.00
16	1.50	3.00	0.50	1.00
17	1.50	2.75	0.50	0.50
18	1.50	2.75	0.50	0.50
19	1.50	2.75	0.50	0.50
20+	1.25	1.75	0.25	0.50

(1) 40% of all terminated members with less than 5 years of service and 25% of all terminated members with 5 or more years of service will choose a refund of contributions.

(2) 45% of all terminated members with less than 5 years of service and 35% of all terminated members with 5 or more years of service will choose a refund of contributions.

(3) 20% of all terminated members with less than 5 years of service and 20% of all terminated members with 5 or more years of service will choose a refund of contributions.

(4) 40% of all terminated members with less than 5 years of service and 30% of all terminated members with 5 or more years of service will choose a refund of contributions.

Retirement Rates

	Rate (%) Retirement							
	General			Safety				
Age	Enhanced	Non-Enhanced[1]	SJC	Law (3% @ 50)[2]	Law (3% @ 55)[2]	Fire (3% @ 50)[2]	Fire (3% @ 55)[2]	Probation[2]
49	0.0	0.0	0.0	10.0	0.0	0.0	0.0	0.0
50	2.5	2.5	3.0	16.0	11.5	6.0	8.0	3.0
51	2.0	2.5	3.0	16.0	12.0	8.0	10.0	3.0
52	2.0	2.5	3.0	16.0	12.7	9.0	11.0	4.0
53	2.0	2.5	3.0	16.0	17.9	10.0	12.0	4.0
54	5.0	2.5	3.0	22.0	18.8	16.0	14.0	6.0
55	15.0	3.0	4.0	22.0	30.7	19.0	24.0	11.0
56	10.0	3.5	5.0	20.0	20.0	20.0	23.0	11.0
57	10.0	5.0	6.0	20.0	20.0	23.0	27.0	17.0
58	10.0	5.0	7.0	20.0	25.0	30.0	27.0	20.0
59	11.0	7.0	9.0	26.0	30.0	30.0	36.0	20.0
60	12.0	9.0	11.0	45.0	100.0	45.0	100.0	20.0
61	12.0	10.0	13.0	45.0	100.0	45.0	100.0	20.0
62	15.0	16.0	15.0	45.0	100.0	45.0	100.0	25.0
63	16.0	16.0	15.0	45.0	100.0	45.0	100.0	50.0
64	16.0	18.0	20.0	45.0	100.0	45.0	100.0	50.0
65	21.0	21.0	20.0	100.0	100.0	100.0	100.0	100.0
66	22.0	26.0	24.0	100.0	100.0	100.0	100.0	100.0
67	23.0	21.0	24.0	100.0	100.0	100.0	100.0	100.0
68	23.0	21.0	24.0	100.0	100.0	100.0	100.0	100.0
69	23.0	21.0	24.0	100.0	100.0	100.0	100.0	100.0
70	40.0	30.0	100.0	100.0	100.0	100.0	100.0	100.0
71	40.0	30.0	100.0	100.0	100.0	100.0	100.0	100.0
72	40.0	30.0	100.0	100.0	100.0	100.0	100.0	100.0
73	40.0	30.0	100.0	100.0	100.0	100.0	100.0	100.0
74	40.0	30.0	100.0	100.0	100.0	100.0	100.0	100.0
75	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(1) These assumptions are also used for the CalPEPRA 1.62% @ 65 formula (Plan T).

(2) Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings.

Retirement Rates

(continued)

	Rate (%) Retirement			
Age	CalPEPRA General Formula	CalPEPRA Safety – Probation Formula[1]	CalPEPRA Safety – Law Formula[1]	CalPEPRA Safety – Fire Formula[1]
50	0.0	2.5	11.0	6.5
51	0.0	2.5	11.5	8.0
52	4.0	3.0	12.0	9.0
53	1.5	3.0	16.0	10.0
54	1.5	5.5	17.0	12.0
55	2.5	10.0	28.0	21.0
56	3.5	10.0	18.0	20.0
57	5.5	15.0	17.5	22.0
58	7.5	20.0	22.0	25.0
59	7.5	20.0	26.0	31.5
60	7.5	100.0	100.0	100.0
61	7.5	100.0	100.0	100.0
62	14.0	100.0	100.0	100.0
63	14.0	100.0	100.0	100.0
64	14.0	100.0	100.0	100.0
65	18.0	100.0	100.0	100.0
66	22.0	100.0	100.0	100.0
67	23.0	100.0	100.0	100.0
68	23.0	100.0	100.0	100.0
69	23.0	100.0	100.0	100.0
70	30.0	100.0	100.0	100.0
71	30.0	100.0	100.0	100.0
72	30.0	100.0	100.0	100.0
73	30.0	100.0	100.0	100.0
74	30.0	100.0	100.0	100.0
75	100.0	100.0	100.0	100.0

[1] Retirement rate is 100% after a member accrues a benefit of 100% of final average earnings.

Actuarial Methods and Assumptions

(continued)

Retirement Age and Benefit for Deferred Vested Members:	For deferred vested members, we make the following retirement age assumptions: General 58 Safety 53 We assume that 20% of future General and 30% of future Safety deferred vested members are reciprocal. For reciprocals, we assume 4.25% compensation increases for General and 5.00% for Safety per annum.
Liability Calculation for Current Deferred Vested Members:	Liability for a current deferred vested member is calculated based on salary, service, and eligibility for reciprocal benefit as provided by the Retirement System. For those members without salary information that have 3 or more years of service, we used an average salary. For those members without salary information that have less than 3 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:	75% of male members and 50% of female members are assumed to be married at retirement or time of pre-retirement death.
Age of Spouse:	Female (or male) three years younger (or older) than spouse.
Net Investment Return:	7.25%; net of investment and administrative expenses.
Employee Contribution Credit Rate:	5.00%, compounded semi-annually.
Consumer Price Index:	Increase of 3.00% per year, retiree COLA increases due to CPI subject to a 3.0% maximum change per year.

Actuarial Methods and Assumptions

(continued)

Salary Increases

Annual Rate of Compensation Increase (%) Inflation: 3.00% per year, plus "across the board" salary increases of 0.50% per year, plus the following merit and promotion increases:		
Years of Service	**General**	**Safety**
Less than 1	10.00%	14.00%
1	7.25	10.00
2	6.00	8.50
3	4.75	6.75
4	4.00	5.25
5	3.25	4.50
6	2.25	3.50
7	2.00	3.25
8	1.50	2.25
9	1.25	2.25
10	1.25	1.75
11	1.25	1.75
12	1.25	1.75
13	1.25	1.75
14	1.25	1.75
15	1.25	1.75
16	0.75	1.50
17	0.75	1.50
18	0.75	1.50
19	0.75	1.50
20 & over	0.75	1.50

Actuarial Methods and Assumptions

(continued)

Additional Cashout Assumptions:

Non-CalPEPRA Formulas

Additional compensation amounts are expected to be received during a member's final average earnings period. The percentages used in this valuation are:

	Final One Year Salary	Final Three Year Salary
General Members	3.50%	2.80%
Safety - Probation	3.80%	2.80%
Safety - Law	5.20%	4.70%
Safety - Fire	2.00%	2.00%

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

CalPEPRA Formulas

None

Increase in Section 7522.10 Compensation Limit:

Increase of 3.00% per year from the valuation date.

Actuarial Value of Assets:

Market 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 market 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 current age minus Vesting Credit. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salaries, with Normal Cost determined as a level percentage of individual salary, as if the current benefit accrual rate had always been in effect. Effective with the December 31, 2013 valuation, the outstanding balance of the December 31, 2012 Unfunded Actuarial Accrued Liability was combined and re-amortized over a declining 20-year period. Any changes in Unfunded Actuarial Accrued Liability 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 are 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.

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.

Summary of Major Plan Provisions

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.

Membership 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 and Law Library[1])
Plan G	General members hired before September 21, 1979.
Plan H	General members hired on or after September 21, 1979. (Sanitation District members within Supervisors and Professional unit hired on or after October 1, 2010 are in Plan B)
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[(1)], Orange County Employees Retirement System[(2)], Children and Family Commission[(3)] 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. (1) Improvement is prospective only for service after June 23, 2005. (2) Improvement for management employees is prospective only for service after June 30, 2005. (3) Improvement is prospective only for service after December 22, 2005.
2.0% @ 55 Plans	(Transportation Corridor Agency, Cemetery District - future service effective December 7, 2007 and General OCFA employees effective July 1, 2011)
Plan M	General members hired before September 21, 1979.
Plan N	General members hired on or after September 21, 1979.
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.

Summary of Major Plan Provisions

(continued)

Membership Eligibility: (continued)

Non-CalPEPRA Safety Plans

3% @ 50 Plans	(Law Enforcement, Fire Authority and Probation)
Plan E	Safety members hired before September 21, 1979.
Plan F	Safety members hired on or after September 21, 1979 and before April 9, 2010 for Law Enforcement, before July 1, 2011 for Safety employees of OCFA Executive Management, and before July 1, 2012 for other OCFA Safety employees.
3% @ 55 Plans	(Law Enforcement and Fire Authority)
Plan Q	Safety Law Enforcement members rehired on or after April 9, 2010, Safety employees of OCFA Executive Management rehired on or after July 1, 2011, and other OCFA Safety employees rehired on or after July 1, 2012 and previously in Plan E.
Plan R	Safety Law Enforcement members hired on or after April 9, 2010, Safety employees of OCFA Executive Management hired on or after July 1, 2011, and other OCFA Safety employees hired on or after July 1, 2012.

CalPEPRA General Plans

1.62% @ 65 Plan	(Orange County Employees except County Attorneys, Orange County Employees Retirement System except Management Employees, Children and Family Commission, Local Agency Formation Commission, and Orange County Superior Court)
Plan T	General members with membership dates on or after January 1, 2013.
2.5% @ 67 Plan	(All Other General Employers, Orange County Attorneys, Orange County Employees Retirement System Management Employees)
Plan U	General 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, 2015.

CalPEPRA Safety Plans

2.7% @ 57 Plan	(Law Enforcement, Fire Authority and Probation Members)
Plan V	Safety members with membership dates on or after January 1, 2013.

Summary of Major Plan Provisions

(continued)

Final Compensation for Benefit Determination:

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)
Plans T, U and V	Highest consecutive thirty-six months of pensionable compensation. (§7522.10(c), §7522.32 and §7522.34) (FAS3)
Service:	Years of service. (Yrs)

Service Retirement Eligibility:

Plans A, B, G, H, I, J, M, N, O, P, S and T	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 after 20 years, regardless of age. (§31663.25) 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).

Summary of Major Plan Provisions

(continued)

Benefit Formula: General Plans

2.5% @ 55	Retirement Age	Benefit Formula
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)*
	65 or later	(2.62% x FAS1 x Yrs)*
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)

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

2.7% @ 55	Retirement Age	Benefit Formula
Plan I (§31676.19)	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)
	62	(2.70% x FAS3 x Yrs)
	65 or later	(2.70% x FAS3 x Yrs)

2.0% @ 55	Retirement Age	Benefit Formula
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)**
	62	(2.62% x FAS1 x Yrs)**
	65 or later	(2.62% x FAS1 x Yrs)**
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)***

** Reflects benefit factors from Plan A as they provide a better benefit than those under 2.0% @ 55.
*** Reflects benefit factors from Plan B as they provide a better benefit than those under 2.0% @ 55.

Summary of Major Plan Provisions

(continued)

Benefit Formula: General Plans (continued)

1.62% @ 65	Retirement Age	Benefit Formula
Plan O (§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 and Plan T	50	(0.79% x FAS3 x Yrs)
(§31676.01)	55	(0.99% x FAS3 x Yrs)
Tier 2	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	Retirement Age	Benefit Formula
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)

All Other General Members	Retirement Age	Benefit Formula
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)
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)
Plan U (§7522.20(a))	52	(1.00% x FAS3 x Yrs)
Tier 2	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)

Summary of Major Plan Provisions

(continued)

Benefit Formula: Safety Plans

3% @ 50	Retirement Age	Benefit Formula
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	Retirement Age	Benefit Formula
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)
Plan V (§7522.25(d))	50	(2.00% x FAS3 x Yrs)
Tier 2	55	(2.50% x FAS3 x Yrs)
	57 or later	(2.70% x FAS3 x Yrs)

Summary of Major Plan Provisions

(continued)

Maximum Benefit:

Plans A, B, E, F, G, H, I, J, M, N, O, P, Q, R, S and T	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 and U

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

Line-of-Duty Disability:

All Members

Eligibility	No age or service requirements. (§31720)
Benefit Formula	50% of the Final Compensation or 100% of Service Retirement benefit, if greater. (§31727.4)

Pre-Retirement Death

All Members

Eligibility	None
Benefit Formula	Refund of employee 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)
Death in line of duty	50% of Final Compensation or 100% of Service Retirement benefit, if greater, payable to spouse or minor-children. (§31787). Or

Vested Members

Eligibility	Five years of service.
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.

Summary of Major Plan Provisions

(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 employee 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	If contributions left on deposit, 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.
Plan 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.
Plan 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.

Summary of Major Plan Provisions

(continued)

Member Contributions: (continued)

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 and V	50% of total Normal Cost rate.

Other Information:

Non-CalPEPRA Safety members with 30 or more years of service are exempt from paying members 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. If the System should find the plan summary not in accordance with the actual provisions, the System should alert the actuary so that both can be sure the proper provisions are valued.

Experience Analysis

(2005 - 2009)

(Dollars in Thousands)

Gains & Losses in Actuarial Accrued Liabilities During Years Ended December 31, Resulting from Differences Between Assumed Experience & Actual Experience					
	Gains (or Losses) Per Year				
Type of Activity	2005	2006	2007	2008	2009
Retirements	-	-	-	$ (54,911)	-
Pay Increases	$ (16,544)	$ (21,679)	$ (136,417)	(97,561)	$77,858
Investment Income	39,536	112,612	176,681	(257,752)	(322,523)
Other	(65,468)	(39,155)	(43,538)	(17,159)	(14,931)
Gain (or Loss) During Year From Experience	**$ (42,476)**	**$ 51,778**	**$ (3,274)**	**$ (427,383)**	**$ (259,596)**
Nonrecurring Items:					
Method and Procedure Changes	15,335	-	-	-	-
Plan Amendments and Assumption Changes	-	-	(237,147)	(115,764)	-
Correction to Include All Premium Pay Items	-	-	-	-	(228,051)
Composite Gain (or Loss) During Year	**$ (27,141)**	**$ 51,778**	**$ (240,421)**	**$ (543,147)**	**$ (487,647)**

(2010-2014)

(Dollars in Thousands)

Gains & Losses in Actuarial Accrued Liabilities During Years Ended December 31, Resulting from Differences Between Assumed Experience & Actual Experience					
	Gains (or Losses) Per Year				
Type of Activity	2010	2011	2012	2013	2014
Retirements	-	-	-	-	-
Pay Increases	$ 215,936	$ 154,946	$ 244,750	$ 294,326	$ 125,746
COLA Increases	-	-	-	-	153,484
Investment Income	(224,044)	(388,935)	(387,808)	176,930	9,570
Other	63,174	(38,159)	(19,979)	30,354	(4,476)
Gain (or Loss) During Year From Experience	**$ 55,066**	**$ (272,148)**	**$ (163,037)**	**$ 501,610**	**$ 284,324**
Nonrecurring Items:					
Plan Amendments and Assumption Changes	-	(363,842)	(934,619)	-	122,171
Correction to Include All Premium Pay Items	-	-	-	-	
Composite Gain (or Loss) During Year	**$ 55,066**	**$ (635,990)**	**$ (1,097,656)**	**$ 501,610**	**$ 406,495**

Schedule of Funding Progress

Actuarial Valuation Date December 31	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
2005	$5,786,617,000	$8,089,627,000	$2,303,010,000	71.53%	$1,276,764,000	180.38%
2006	6,466,085,000	8,765,045,000	2,298,960,000	73.77%	1,322,952,000	173.78%
2007	7,288,900,000	9,838,686,000	2,549,786,000	74.08%	1,457,159,000	174.98%
2008	7,748,380,000	10,860,715,000	3,112,335,000	71.34%	1,569,764,000	198.27%
2009	8,154,687,000	11,858,578,000	3,703,891,000	68.77%	1,618,491,000	228.85%
2010	8,672,592,000	12,425,873,000	3,753,281,000	69.79%	1,579,239,000	237.66%
2011	9,064,355,000	13,522,978,000	4,458,623,000	67.03%	1,619,474,000	275.31%
2012	9,469,208,000	15,144,888,000	5,675,680,000	62.52%	1,609,600,000	352.55%
2013	10,417,125,000	15,785,042,000	5,367,917,000	65.99%	1,604,496,000	334.55%
2014	11,449,911,000	16,413,124,000	4,963,213,000	69.76%	1,648,160,000	301.14%

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

Actuarial Valuation Date December 31	Funded Ratio Based on Net Market Value of Assets
2005	73.07%
2006	77.69%
2007	78.43%
2008	57.51%
2009	62.94%
2010	67.25%
2011	62.60%
2012	63.17%
2013	67.65%
2014	69.63%

Orange County Fire Authority OPEB Plan Actuarial Certification

SECTION VIII. ACTUARIAL CERTIFICATION

The results set forth in this report are based on the actuarial valuation of the retiree medical program of Orange County Fire Authority (OCFA) as of July 1, 2014.

The valuation was performed in accordance with generally accepted actuarial principles and practices and in accordance with GASB Statements No. 43 & 45. We relied on census data for active employees and retirees provided to us by OCFA. We also made use of plan information, premium information, and enrollment information provided to us by OCFA.

The assumptions used in performing the valuation, as summarized in this report, and the results based thereupon, represent our best estimate of anticipated experience and actuarial cost of the retiree medical benefits program.

I am a member of the American Academy of Actuaries and believe I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Certified by:

Marilyn K. Jones, ASA, EA, MAAA, FCCA
Consulting Actuary

Date: 10/13/2014

nyhart

Summary of Retired Members and Beneficiaries (OPEB Plan - OCFA)

Plan Year Ending*	Benefit Type	Added to Rolls		Removed from Rolls		Rolls at Year End		Increase in Retiree Allowance	Average Annual Allowance	Changes in Average Benefit
		Number	Annual Allowance (in 000's)	Number	Annual Allowance (in 000's)	Number	Annual Allowance (in 000's)**			
6/30/12	Direct Contribution	N/A	N/A	N/A	N/A	471	$ 2,483	N/A	$ 5	N/A
	Implicit Rate Subsidy	N/A	N/A	N/A	N/A	348	1,135	N/A	3	N/A
	Total					**471**	**$ 3,618**		**$ 8**	
6/30/14	Direct Contribution	107	$ 618	5	22	573	$ 3,131	26.1%	$ 5	3.6%
	Implicit Rate Subsidy	70	140	4	3	414	823	-27.5%	2	-39.0%
	Total	**107**	**758**	**5**	**25**	**573**	**$ 3,954**	**9.3**	**$ 7**	**-10.2%**

* Valuations are performed biennially.
** Includes increase / decrease (subsidy) for continuing retirees.

Information obtained from OCFA actuarial report. New schedule for 2014.

Solvency Test (OPEB Plan) OCFA

Valuation Date*	Benefit Type	Active Member Contribution	Liability for Retired Members (in 000's)	Active Members Employer Financed Portion (in 000's)	Total (in 000's)	Actuarial Value of Plan Assets (in 000's)	Active Member contribution	Liability for Retired Members	Active Member Employer Financed Portion
6/30/12	Direct Contribution	$ -	$ 51,179	$ 79,611	$ 130,790	$ 28,910	100%	56.5%	0.0%
	Implicit Rate Subsidy	-	7,812	18,022	25,834	-	100%	0.0%	0.0%
	Total	**$ -**	**$ 58,991**	**$ 97,633**	**$ 156,624**	**$ 28,910**	**100%**	**49.0%**	**0.0%**
6/30/14	Direct Contribution	$ -	$ 70,702	$ 87,705	$ 158,407	$ 36,945	100%	52.3%	0.0%
	Implicit Rate Subsidy	-	6,839	13,810	20,649	-	100%	0.0%	0.0%
	Total	**$ -**	**$ 77,541**	**$ 101,515**	**$ 179,056**	**$ 36,945**	**100%**	**47.6%**	**0.0%**

* Valuations are performed biennially.

Information obtained from OCFA actuarial report. New schedule for 2014.

Salt Creek Beach

Orange County, California

Salt Creek Beach is a popular surfing location in south Orange County. A small, offshore reef creates some of the best left swells along the county coastline. Beach activities include swimming, body surfing, picnicing and tidepool exploring. All tidepool inhabitants are protected. Other recreational amenities include a half-court basketball court, beach volleyball and a grassy bluff above the water.

section V

Statistical

Statistical Section Review

The Statistical Section of the Comprehensive Annual 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.

Schedules of Changes in Fiduciary Net Position

Pension Trust Fund

2005 – 2014
(Dollars in Thousands)

Years Ended December 31	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Additions										
Employer Contributions	$ 226,130	$ 277,368	$ 401,037	$ 433,911	$ 377,976	$ 372,437	$ 387,585	$ 406,805	$ 427,095	$ 625,520
Employee Contributions	107,544	137,582	159,476	172,291	171,928	177,929	183,820	191,215	209,301	232,656
Investment Income	460,431	828,147	763,117	(1,627,177)	1,073,912	885,569	46,669	1,001,650	1,149,160	495,223
Net Securities Lending	1,425	1,317	3,452	6,145	3,989	1,849	1,703	2,007	1,454	1,435
Commission Recapture-Net/Other	123	736	1,773	1,249	2,161	1,124	2,084	1,113	2,033	2,537
Total Additions	$ 795,653	$ 1,245,150	$ 1,328,855	$(1,013,581)	$ 1,629,966	$1,438,908	$ 621,861	$ 1,602,790	$ 1,789,043	$ 1,357,371
Deductions										
Pension Trust Fund										
Benefits	$ 264,927	$ 318,666	$ 353,861	$ 419,502	$ 461,530	$ 459,383	$ 493,749	$ 541,154	$ 586,284	$ 630,678
Administrative Expenses	9,953	17,145	10,381	11,006	10,947	12,368	12,828	14,209	11,705	11,905
Total Deductions	$ 274,880	$ 335,811	$ 364,242	$ 430,508	$ 472,477	$ 471,751	$ 506,577	$ 555,363	$ 597,989	$ 642,583
Changes in Fiduciary Net Position	$ 520,773	$ 909,339	$ 964,613	$(1,444,089)	$ 1,157,489	$ 967,157	$ 115,284	$ 1,047,427	$ 1,191,054	$ 714,788

Health Care Funds-County

2005 – 2014
(Dollars in Thousands)

Years Ended December 31	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Additions										
Employer Contributions	-	-	-	-	-	$ 14,582	$ 39,694	$ 27,395	$ 66,057	$ 64,852
Investment Income	-	-	-	-	-	8,550	(664)	10,296	13,673	7,331
Net Securities Lending	-	-	-	-	-	18	18	21	20	25
Commission Recapture-Net/Other	-	-	-	-	-	11	23	12	29	43
Total Additions	$ -	$ -	$ -	$ -	$ -	$ 23,161	$ 39,071	$ 37,724	$ 79,779	$ 72,251
Deductions										
Benefits	-	-	-	-	-	$ 25,514	$ 26,250	$ 27,089	$ 28,293	$ 29,299
Administrative Expenses	-	-	-	-	-	18	18	19	20	20
Total Deductions	$ -	$ -	$ -	$ -	$ -	$ 25,532	$ 26,268	$ 27,108	$ 28,313	$ 29,319
Changes in Fiduciary Net Position	$ -	$ -	$ -	$ -	$ -	$ (2,371)	$ 12,803	$ 10,616	$ 51,466	$ 42,932

Detailed information not available for years 2005-2009.

Health Care Funds-OCFA

2005 – 2014
(Dollars in Thousands)

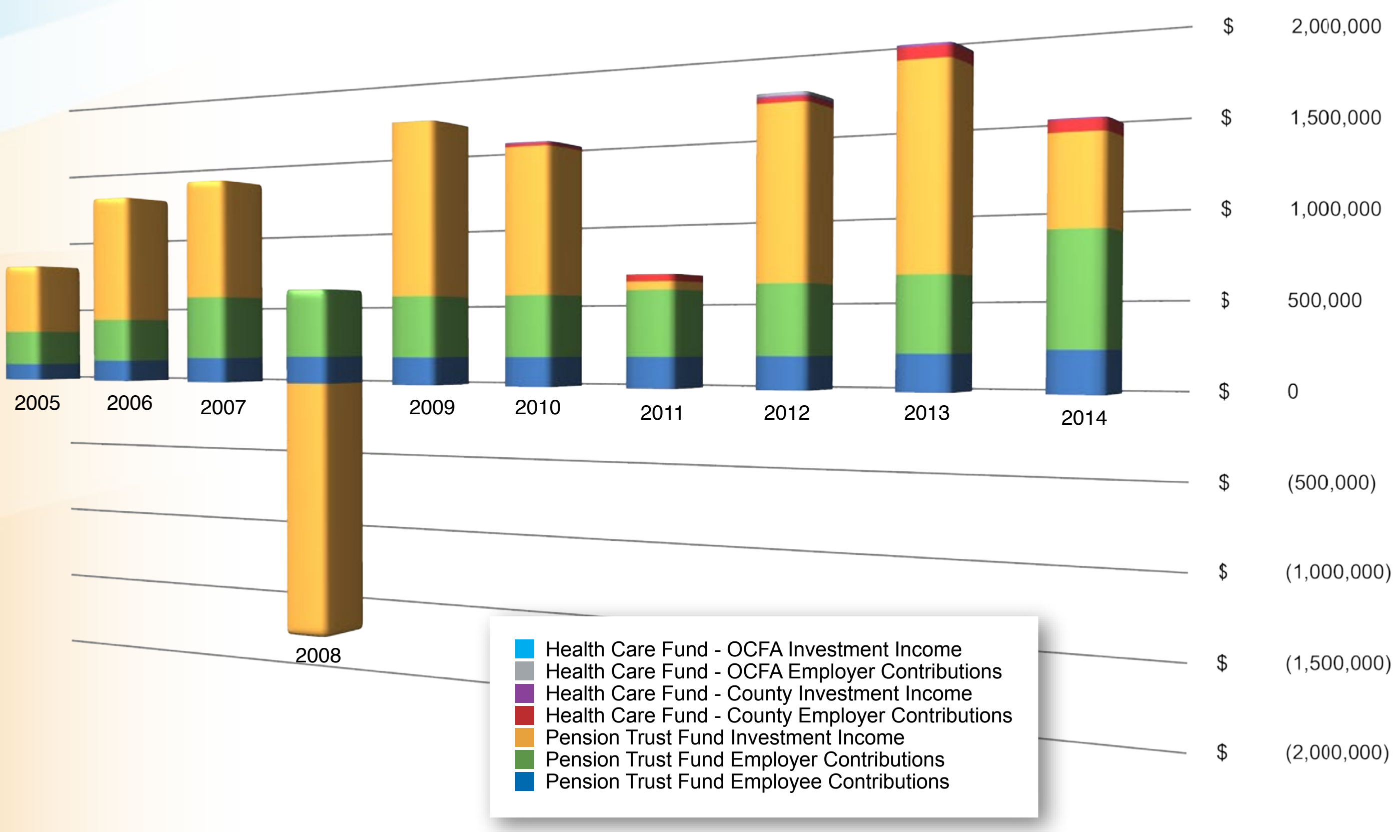
Years Ended December 31	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Additions										
Employer Contributions	-	-	-	-	-	$ 3,634	$ 3,660	$ 3,590	$ 18,349	$ 2,667
Investment Income	-	-	-	-	-	1,356	(11)	1,734	1,956	1,575
Net Securities Lending	-	-	-	-	-	3	3	3	4	5
Commission Recapture-Net/Other	-	-	-	-	-	2	4	2	7	8
Total Additions	$ -	$ -	$ -	$ -	$ -	$ 4,995	$ 3,656	$ 5,329	$ 20,316	$ 4,255
Deductions										
Benefits	-	-	-	-	-	$ 2,158	$ 2,649	$ 2,804	$ 2,550	$ 3,138
Administrative Expenses	-	-	-	-	-	9	9	9	14	22
Total Deductions	$ -	$ -	$ -	$ -	$ -	$ 2,167	$ 2,658	$ 2,813	$ 2,564	$ 3,160
Changes in Fiduciary Net Position	$ -	$ -	$ -	$ -	$ -	$ 2,828	$ 998	$ 2,516	$ 17,752	$ 1,095

Detailed information not available for years 2005-2009.

Schedule and Graph of Fiduciary Revenues by Source

2005 – 2014
(Dollars in Thousands)

Years Ended December 31	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Pension Trust Fund										
Employee Contributions	$ 107,544	$ 137,582	$ 159,476	$ 172,291	$ 171,928	$ 177,929	$ 183,820	$ 191,215	$ 209,301	$ 232,656
Employer Contributions	226,130	277,368	401,037	433,911	377,976	372,437	387,585	406,805	427,095	625,520
Investment Income [1, 2]	461,979	830,200	768,342	(1,619,783)	1,080,062	888,542	50,456	1,004,770	1,152,647	499,195
Health Care Fund - County										
Employer Contributions	N/A	N/A	N/A	N/A	N/A	14,582	39,694	27,395	66,057	64,852
Investment Income [1]	N/A	N/A	N/A	N/A	N/A	8,579	(623)	10,329	13,722	7,399
Health Care Fund - OCFA										
Employer Contributions	N/A	N/A	N/A	N/A	N/A	3,634	3,660	3,590	18,349	2,667
Investment Income [1]	N/A	N/A	N/A	N/A	N/A	1,361	(4)	1,739	1,967	1,588
Total	$ 795,653	$ 1,245,150	$ 1,328,855	$ (1,013,581)	$ 1,629,966	$ 1,467,064	$ 664,588	$ 1,645,843	$ 1,889,138	$ 1,433,877



N/A: Detailed information not available.

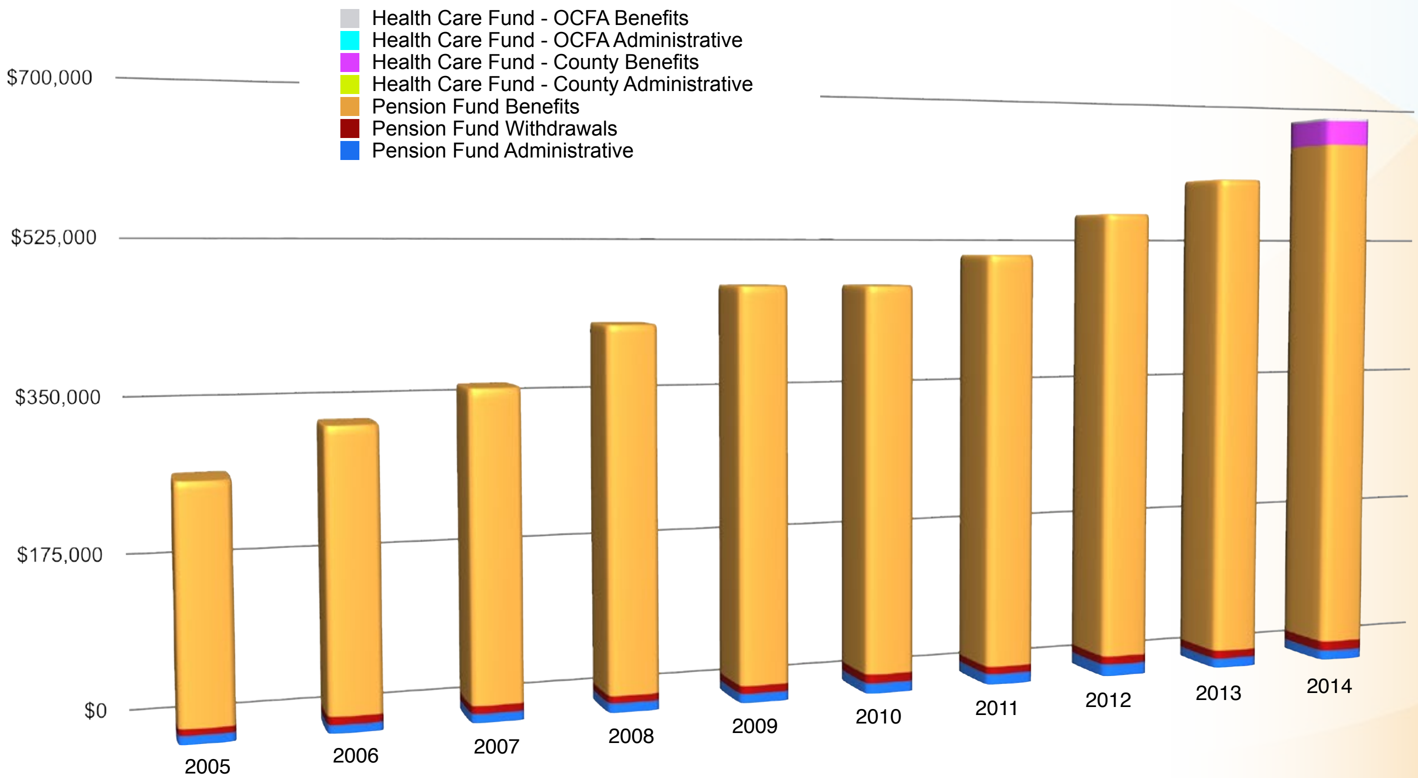
[1] Investment Income includes net appreciation/(depreciation) less investment manager fees, security lending fees and commission recapture.

[2] Beginning in 2013, Investment Income includes net appreciation/(depreciation) less investment manager fees, investment department expenses, security lending fees and commission recapture.

Schedule and Graph of Expenses by Type

2005 – 2014
(Dollars in Thousands)

Years Ended December 31	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Pension Trust										
Administrative	$ 9,953	$ 9,600	$ 10,381	$ 11,006	$ 10,947	$ 12,368	$ 12,828	$ 14,209	$ 11,705	$ 11,905
Withdrawals										
Separation	6,439	8,073	8,007	7,022	7,604	8,566	6,833	8,078	7,516	9,843
Death	560	897	792	1,337	1,448	1,880	2,041	2,019	2,348	1,887
Benefits	257,928	309,696	345,062	411,143	452,478	448,937	484,875	531,057	576,420	618,948
Health Care Fund - County										
Administrative	N/A	N/A	N/A	N/A	N/A	18	18	19	20	20
Benefits	N/A	N/A	N/A	N/A	N/A	25,514	26,250	27,089	28,293	29,299
Health Care Fund - OCFA										
Administrative	N/A	N/A	N/A	N/A	N/A	9	9	9	14	22
Benefits	N/A	N/A	N/A	N/A	N/A	2,158	2,649	2,804	2,550	3,138
Total	$ 274,880	$ 328,266	$ 364,242	$ 430,508	$ 472,477	$ 499,450	$ 535,503	$ 585,284	$ 628,866	$ 675,062

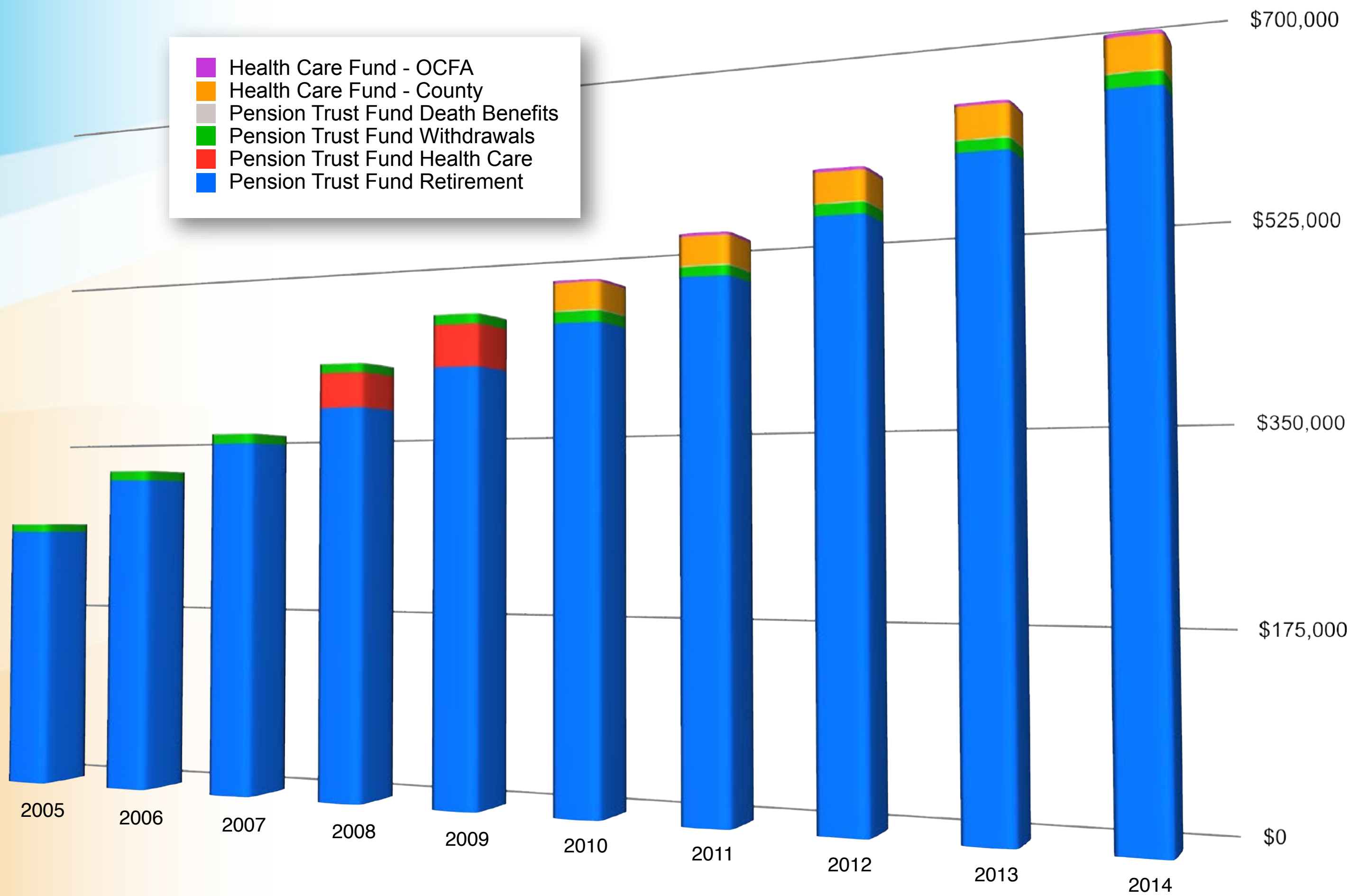


N/A: Detailed information not available.

Schedule and Graph of Benefit Expenses by Type

2005 – 2014
(Dollars in Thousands)

Years Ended December 31	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Pension Trust										
Retirement	$ 257,396	$ 309,102	$ 344,321	$ 376,937	$ 411,959	$ 448,099	$ 484,012	$ 530,269	$ 575,633	$ 618,233
Health Care [1]	N/A	N/A	N/A	33,480	39,858	N/A	N/A	N/A	N/A	N/A
Withdrawals	6,999	8,970	8,799	8,359	9,052	10,446	8,874	10,097	9,864	11,730
Death Benefits	532	594	741	726	661	838	863	788	787	715
Health Care Fund - County										
Health Care	N/A	N/A	N/A	N/A	N/A	25,514	26,250	27,089	28,293	29,299
Health Care Fund - OCFA										
Health Care	N/A	N/A	N/A	N/A	N/A	2,158	2,649	2,804	2,550	3,138
Total	$ 264.927	$ 318,666	$ 353,861	$ 419,502	$ 461,530	$ 487,055	$ 522,648	$ 571,047	$ 617,127	$ 663,115



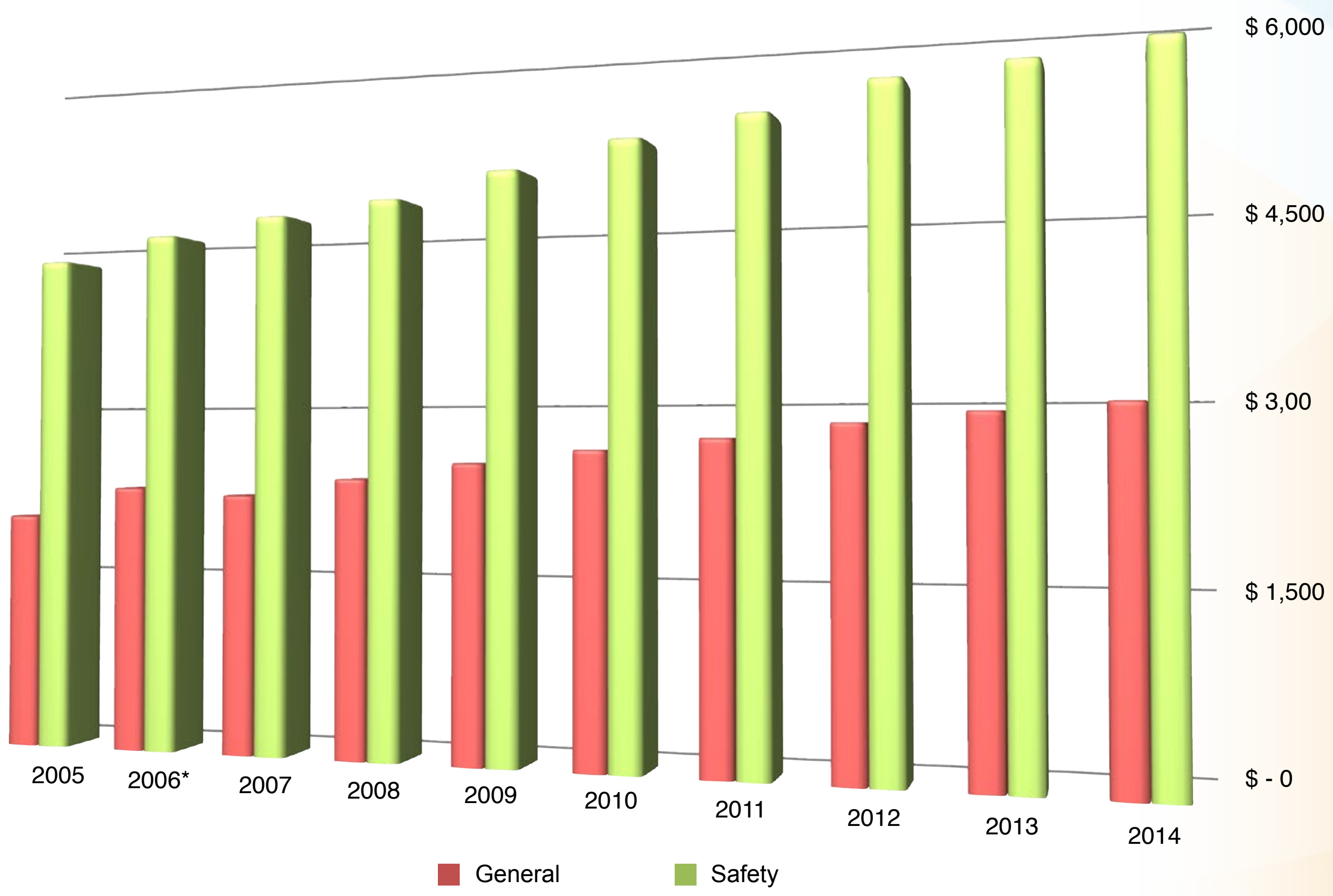
N/A: Detailed information not available.

[1] Health care benefits for 2008 and 2009 encompass all plans, including 401(h), which are reported as trust funds, and 115, which are reported as agency funds.

Schedule and Graph of Average Monthly Pension Check

2005 – 2014
(Dollars in Thousands)

Years Ended December 31	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General	$ 2,031	$ 2,286	$ 2,228	$ 2,373	$ 2,508	$ 2,621	$ 2,714	$ 2,836	$ 2,924	$ 2,991
Safety	$ 4,283	$ 4,479	$ 4,618	$ 4,724	$ 4,926	$ 5,141	$ 5,297	$ 5,516	$ 5,679	$ 5,914



* Year 2006 includes health grant

Source: OCERS' Pension Gold Information System

Schedule of Average Pension Benefit Payments by Years of Service

Service Retirement Effective Dates	Years of Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30 & Over
Period 1/1/05-12/31/05							
Average Monthly Pension Benefits	$ 503	$ 731	$ 1,496	$ 2,316	$ 3,101	$ 4,760	$ 5,877
Monthly Final Average Salary	$ 3,253	$ 4,181	$ 4,585	$ 5,223	$ 5,227	$ 6,374	$ 6,567
Number of Retired Members	19	43	129	125	150	169	282
Period 1/1/06-12/31/06							
Average Monthly Pension Benefits	$ 448	$ 788	$ 1,608	$ 2,389	$ 3,368	$ 4,898	$ 6,112
Monthly Final Average Salary	$ 3,770	$ 4,031	$ 4,952	$ 5,198	$ 5,668	$ 6,474	$ 6,789
Number of Retired Members	15	46	129	167	129	174	155
Period 1/1/07-12/31/07							
Average Monthly Pension Benefits	$ 368	$ 817	$ 1,593	$ 2,407	$ 3,366	$ 5,626	$ 6,401
Monthly Final Average Salary	$ 2,213	$ 4,206	$ 5,065	$ 5,239	$ 5,714	$ 7,219	$ 7,223
Number of Retired Members	16	45	110	111	100	145	104
Period 1/1/08-12/31/08							
Average Monthly Pension Benefits	$ 321	$ 876	$ 1,784	$ 2,451	$ 3,793	$ 5,323	$ 7,687
Monthly Final Average Salary	$ 2,539	$ 4,166	$ 5,512	$ 5,330	$ 6,484	$ 6,864	$ 8,424
Number of Retired Members	19	31	83	90	78	91	97
Period 1/1/09-12/31/09							
Average Monthly Pension Benefits	$ 381	$ 950	$ 1,821	$ 2,716	$ 3,711	$ 5,852	$ 7,467
Monthly Final Average Salary	$ 3,766	$ 4,228	$ 5,564	$ 6,006	$ 6,417	$ 7,669	$ 8,378
Number of Retired Members	26	45	102	87	110	106	124
Period 1/1/10-12/31/10							
Average Monthly Pension Benefits	$ 587	$ 986	$ 1,855	$ 2,929	$ 4,046	$ 5,922	$ 6,856
Monthly Final Average Salary	$ 3,666	$ 4,800	$ 5,537	$ 6,291	$ 6,962	$ 7,764	$ 7,741
Number of Retired Members	23	45	108	106	130	127	129
Period 1/1/11-12/31/11							
Average Monthly Pension Benefits	$ 678	$ 1,057	$ 1,689	$ 3,054	$ 4,257	$ 5,910	$ 6,766
Monthly Final Average Salary	$ 4,843	$ 5,825	$ 5,475	$ 6,497	$ 7,314	$ 7,874	$ 7,650
Number of Retired Members	16	55	111	86	120	123	155
Period 1/1/12-12/31/12							
Average Monthly Pension Benefits	$ 647	$ 1,142	$ 1,701	$ 2,957	$ 4,058	$ 5,802	$ 7,015
Monthly Final Average Salary	$ 5,988	$ 5,398	$ 5,672	$ 6,347	$ 6,759	$ 7,702	$ 7,750
Number of Retired Members	20	71	128	88	187	145	172
Period 1/1/13-12/31/13							
Average Monthly Pension Benefits	$ 435	$ 1,166	$ 2,039	$ 2,946	$ 3,794	$ 6,409	$ 7,732
Monthly Final Average Salary	$ 8,199	$ 6,347	$ 6,458	$ 6,492	$ 6,431	$ 8,432	$ 8,482
Number of Retired Members	29	55	139	82	161	147	131
Period 1/1/14-12/31/14							
Average Monthly Pension Benefits	$ 421	$ 1,152	$ 1,925	$ 3,188	$ 4,117	$ 6,444	$ 6,719
Monthly Final Average Salary	$ 8,176	$ 6,955	$ 6,301	$ 6,961	$ 7,003	$ 8,463	$ 7,349
Number of Retired Members	23	45	146	96	143	192	138

Source: OCERS' Pension Gold Information System

Schedule of Pension Benefit Recipients by Type of Benefit

December 31, 2014

Monthly Benefit	1	2	3	4	5	6	7	Total
$1-500	605	131	3	5	14	68	24	850
$501-1,000	1,107	246	-	39	41	82	121	1,636
$1,001-1,500	1,314	189	20	93	26	66	89	1,797
$1,501-2,000	1,082	139	115	65	20	46	42	1,509
$2,001-2,500	1,070	100	241	23	31	40	21	1,526
$2,501-3,000	850	107	187	18	27	25	15	1,229
$3,001-3,500	730	53	106	6	13	15	5	928
$3,501-4,000	621	42	106	6	19	9	5	808
$4,001-4,500	566	22	100	4	6	6	8	712
$4,501-5,000	527	29	34	-	7	6	5	608
$5,001-5,500	465	11	41	2	4	2	1	526
$5,501-6,000	404	10	20	2	1	1	4	442
$6,001-6,500	360	10	14	1	3	-	-	388
$6,501-7,000	333	6	20	-	2	-	3	364
Over $7,000	1,726	17	91	1	10	-	1	1,846
Total	11,760	1.112	1.098	265	224	366	344	15.169

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.

Types of Retirement Benefit

1. Normal Retirement for Age and Service
2. Survivor Payment - Normal Retirement
3. Service-Connected Disability Retirement
4. Nonservice-Connected Disability Retirement
5. Survivor Payment - Disability Retirement
6. DRO (Domestic Relations Order payees)
7. Active Deaths

Source: OCERS' Pension Gold Information System

Schedule of Pension Benefit Recipients by Option Selected

December 31, 2014

Monthly Benefit	JSURV	SL100	SL60	SLIFE	SLR60	UNMJS	SLR10	Total
$1-500	200	-	4	274	1	371	-	850
$501-1,000	375	-	23	489	12	737	-	1,636
$1,001-1,500	443	-	22	524	6	802	-	1,797
$1,501-2,000	406	1	11	464	4	623	-	1,509
$2,001-2,500	485	1	7	445	-	588	-	1,526
$2,501-3,000	393	2	1	393	-	440	-	1,229
$3,001-3,500	357	-	1	241	-	329	-	928
$3,501-4,000	280	3	1	242	-	282	-	808
$4,001-4,500	277	3	-	188	-	244	-	712
$4,501-5,000	281	1	1	180	-	144	1	608
$5,001-5,500	261	-	-	132	-	133	-	526
$5,501-6,000	243	1	1	120	-	77	-	442
$6,001-6,500	201	-	-	117	-	70	-	388
$6,501-7,000	198	1	1	93	-	71	-	364
Over $7,000	1,151	1	-	329	-	365	-	1,846
Total	5,551	14	73	4,231	23	5,276	1	15,169

Definition of Options:

JSURV: Contingent joint survivor.

SL100: Single life with 100% joint survivor adjustment.

SL60: Single life with 60% adjustment.

SLIFE: Lifetime payment.

SLR60: Single life with 60% adjustment with reduction.

UNMJS: Unmodified with joint survivor.

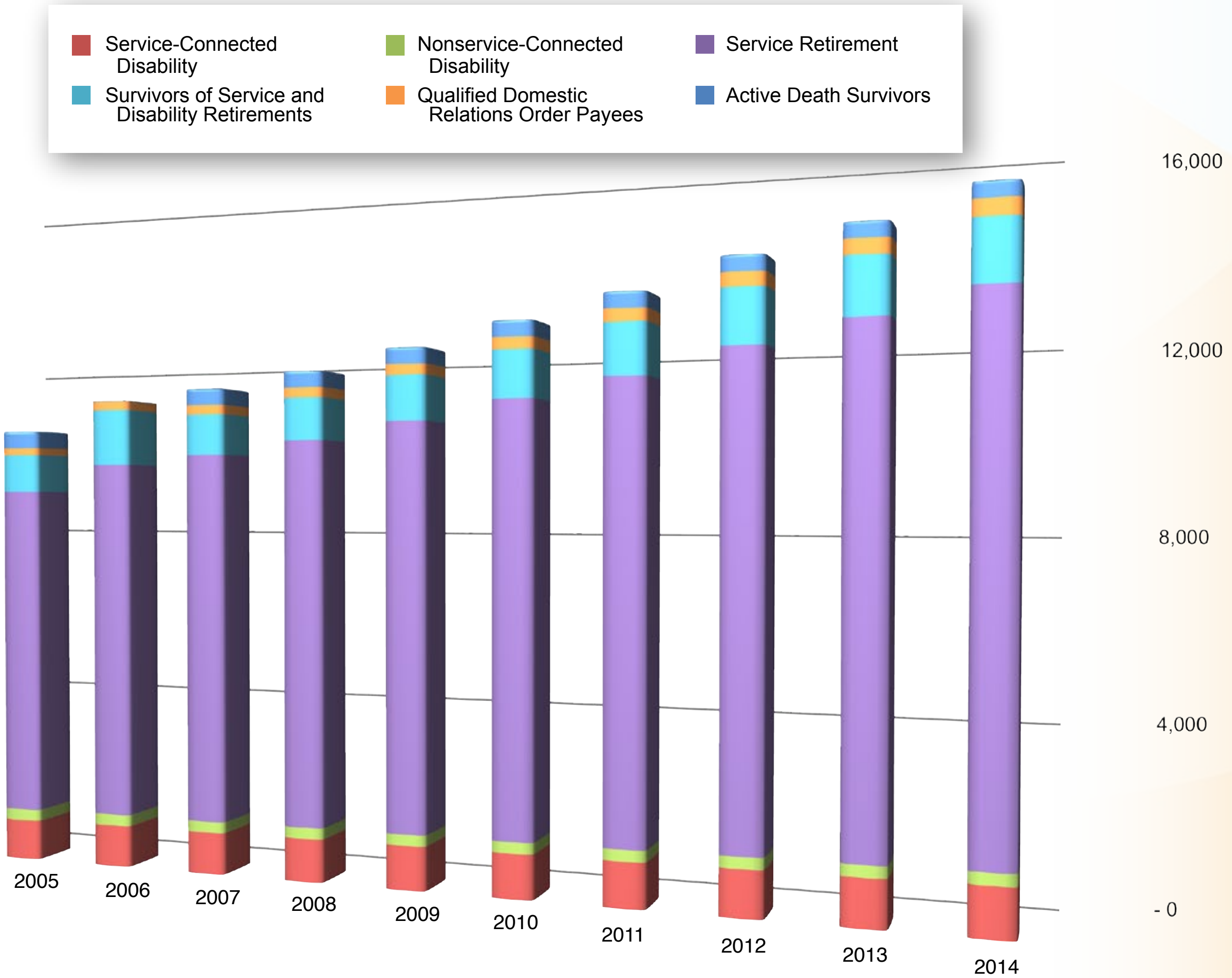
SLR10: Single life with 100% adjustment with reduction.

Source: OCERS' Pension Gold Information System

Schedule and Graph of Pension Benefit Recipients

2005 – 2014

Years Ended December 31	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Service-Connected Disability	953	986	986	1,009	1,022	1,027	1,032	1,059	1,072	1,098
Nonservice-Connected Disability	269	269	257	258	252	254	259	260	263	265
Service Retirement	7,799	8,403	8,636	8,924	9,322	9,767	10,189	10,739	11,226	11,760
Survivors of Service and Disability Retire-ments	894	1,310	946	978	1,031	1,079	1,160	1,221	1,261	1,336
Qualified Domestic Re-lations Order Payees	174	203	221	238	248	272	289	314	340	366
Active Death Survivors	399	11	374	371	368	363	360	354	343	344
Total	10,488	11,182	11,420	11,778	12,243	12,762	13,289	13,947	14,505	15,169



Source: OCERS' Pension Gold Information System

Schedule of Average Retirement Age

2005 – 2014

Years Ended December 31	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General	59.69	59.83	60.07	59.82	60.31	60.55	60.65	60.42	61.32	60.79
Safety	54.95	54.12	54.47	54.03	54.98	54.18	54.56	54.33	54.80	54.06

Schedule of Average Years of Service at Retirement

2005 – 2014

Years Ended December 31	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General	23.59	21.17	20.04	20.44	20.79	20.53	20.82	20.88	20.00	21.13
Safety	22.94	23.09	24.66	23.77	22.63	23.91	25.27	24.41	24.25	24.47

Schedule of Beneficiaries Receiving a Pension

2005 – 2014

Years Ended December 31	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General	1,175	1,200	1,190	1,214	1,253	1,286	1,352	1,398	1,503	1,457
Safety	118	121	130	135	146	156	168	177	187	223
Total	1,293	1,321	1,320	1,349	1,399	1,442	1,520	1,575	1,690	1,680

Schedule of Active and Deferred Members

2005 – 2014

Years Ended December 31	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General										
Active	18,812	19,101	19,803	19,795	18,873	18,155	17,717	17,559	17,637	17,873
Deferred	2,213	2,911	3,353	3,560	3,707	3,905	3,998	3,980	4,205	4,380
Safety										
Active	3,653	3,649	3,815	3,925	3,760	3,587	3,704	3,730	3,731	3,587
Deferred	196	267	293	321	387	403	408	402	408	409
Total	24,874	25,928	27,264	27,601	26,727	26,050	25,827	25,671	25,981	26,249

Source: OCERS' Pension Gold Information System

Schedule of Participating Employers
Pension Plan

2005 – 2014

Years Ended December 31		Total	Orange County	OCTA	Superior Court [1]	Fire Authority	OC Sanitation District	City of San Juan Capistrano	TCA	All Other Sponsors
2005	Number of Covered Employees	22,465	16,776	1,976	1,617	1,066	602	90	94	244
	Percentage to Total System	100%	74.68%	8.80%	7.20%	4.75%	2.68%	0.40%	0.42%	1.09%
2006	Number of Covered Employees	22,750	16,971	1,940	1,726	1,092	603	91	86	241
	Percentage to Total System	100%	74.60%	8.53%	7.59%	4.80%	2.65%	0.40%	0.38%	1.06%
2007	Number of Covered Employees	23,618	17,702	2,012	1,845	1,116	598	93	86	166
	Percentage to Total System	100%	74.95%	8.52%	7.81%	4.73%	2.53%	0.39%	0.36%	0.70%
2008	Number of Covered Employees	23,720	17,798	2,022	1,812	1,121	615	93	93	166
	Percentage to Total System	100%	75.03%	8.52%	7.64%	4.73%	2.59%	0.39%	0.39%	0.70%
2009	Number of Covered Employees	22,633	17,021	1,836	1,711	1,114	611	88	92	160
	Percentage to Total System	100%	75.20%	8.11%	7.56%	4.92%	2.70%	0.39%	0.41%	0.71%
2010	Number of Covered Employees	21,742	16,486	1,639	1,635	1,064	594	87	79	158
	Percentage to Total System	100%	75.83%	7.54%	7.52%	4.89%	2.73%	0.40%	0.36%	0.73%
2011	Number of Covered Employees	21,421	16,084	1,549	1,638	1,244	596	80	80	150
	Percentage to Total System	100%	75.09%	7.23%	7.65%	5,81%	2.78%	0.37%	0.37%	0.70%
2012	Number of Covered Employees	21,289	16,118	1,509	1,569	1,195	596	80	74	148
	Percentage to Total System	100%	75.70%	7.09%	7.37%	5.61%	2.80%	0.38%	0.35%	0.70%
2013	Number of Covered Employees	21,368	16,281	1,519	1,492	1,185	587	81	77	146
	Percentage to Total System	100%	76.19%	7.11%	6.98%	5.55%	2.75%	0.38%	0.36%	0.68%
2014	Number of Covered Employees	21,460	16,453	1,454	1,460	1,213	594	80	65	141
	Percentage to Total System	100%	76.67%	6.78%	6.80%	5.65%	2.77%	0.37%	0.30%	0.66%

[1] Orange County Superior Court became a separate agency in 2004.

Source: OCERS' Pension Gold Information System

History of Actuarial Assumption Rate

for the Period January 1945 - December 2014

The table shown below is a comprehensive history of the 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
1/1/1945	2.50%	0.00%
7/1/1962	3.50%	0.00%
12/31/1965	4.00%	0.00%
7/1/1969	4.50%	0.00%
6/30/1970	5.00%	0.00%
8/31/1973	5.75%	0.00%
7/1/1975	6.00%	0.00%
7/1/1981	7.25%	5.00%
7/1/1989	7.50%	5.50%
7/1/1991	8.00%	6.00%
7/1/1996	8.00%	3.50%
7/1/2000	8.00%	5.50%
7/1/2003	7.50%	4.50%
12/31/2004	7.75%	3.50%[1]
12/31/2007	7.75%	3.50%[2]
12/31/2011	7.75%	3.50%[3]
12/31/2012	7.25%	3.25%[4]
12/31/2013	7.25%	3.25%[4]
12/31/2014	7.25%	3.25%[4]

[1] Inflation per year plus merit and promotion increases ranging from 0.6% to 0.7%
[2] Inflation per year plus merit and promotion increases ranging from 1% to 10%
[3] Inflation per year plus 0.25% across-the-board real salary increases plus merit and promotion increases ranging from 1% to 14%
[4] Inflation per year plus 0.50% across-the-board real salary increases.

Source: The Segal Company

ORANGE COUNTY

OCERS

EMPLOYEES RETIREMENT SYSTEM

The Wedge

Orange County, California

The Wedge, located in the city of Newport Beach, at the mouth of Newport Harbor offers the visitor the opportunity to admire powerful surf from the distance. The Wedge is known for its amazing surf, with the potential for waves up to 30 feet. Experienced body boarders and body surfers enjoy the wave action. The Wedge is featured in the cult classic film, "Endless Summer".

section VI
Glossary of Terms

Glossary of Terms

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

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.

Actuarially 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.

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.

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 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.

Comprehensive Annual Financial Report (CAFR)
The CAFR 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 Statement 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.

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).

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 Statement 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 nonemployer 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 Statement 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.

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