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Via Email

June 5, 2024

Mr. Steve Delaney
Chief Executive Officer
Orange County Employees Retirement System
2223 Wellington Avenue
Santa Ana, CA 92701-3101

**Re: Orange County Employees Retirement System (OCERS)
Reconciliation of the Plan's December 31, 2023 Net Pension Liability (NPL) and
Unfunded Actuarial Accrued Liability (UAAL)**

Dear Steve:

We have been requested by OCERS to reconcile, for each Rate Group, the December 31, 2023 Net Pension Liability (NPL) and the Unfunded Actuarial Accrued Liability (UAAL) as shown in the December 31, 2023 Governmental Accounting Standards Board (GASB) Statement 67 addendum letter and funding valuation report, respectively. (The breakdown of the NPL as disclosed in the GASB 67 addendum letter also appears in our GASB 68 financial report.)

The reconciliation is provided in Attachment A of this letter. The difference between the NPL and the UAAL is a direct result of the different liability and asset values we used in those developments.

Liability

The Total Pension Liability (TPL) shown in the GASB 67 addendum letter was measured based on the December 31, 2022 demographic data by: (i) rolling forward the liability from December 31, 2022* to December 31, 2023 and (ii) assuming that the actuarial experience of the System would match with that anticipated by the demographic assumptions. On the other hand, the Actuarial Accrued Liability (AAL) shown in the funding valuation report was measured based on the December 31, 2023 demographic data.

The differences between the TPL and the AAL were primarily due to: (a) actuarial gains/losses on the liability items as documented in *Section 4, Exhibit 6* of the December 31, 2023 funding valuation report for each Rate Group and (b) differences between the rolled forward liabilities and the actual liabilities.

* As the Board has adopted a new set of actuarial assumptions for use in the pension funding valuation as of December 31, 2023, we have included the impact of these assumption changes by revaluing the TPL as of December 31, 2022 prior to the rollforward.

Assets

The Plan Fiduciary Net Position (FNP) shown in the GASB 67 report as of December 31, 2023 (that we subsequently used for our GASB 67 addendum letter) was based on the plan's Market Value of Assets (MVA) including the proceeds available in the County Investment Account and O.C. Sanitation District (OCSD) UAAL Deferred Account. On the other hand, the funding valuation report used the Valuation Value of Assets (VVA) after adjusting the MVA for asset smoothing and excludes the proceeds available to the County Investment Account and the OCSD UAAL Deferred Account.*

The differences between the Plan FNP and the VVA were primarily due to the adjustment for the deferred investment loss.

The NPL and UAAL were calculated by taking the TPL and the AAL and subtracting the Plan FNP and the VVA, respectively.

Other considerations

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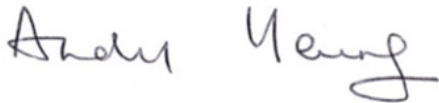
The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standard of the American Academy of Actuaries to render the actuarial opinion contained herein.

* There were no non-valuation reserves as of December 31, 2023.

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June 5, 2024
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Please let us know if you have any questions or comments.

Sincerely,

A handwritten signature in black ink that reads "Andy Yeung". The signature is written in a cursive, slightly slanted style.

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

JY/bbf
Enclosures

cc: Tracy Bowman
Brenda Shott
Jennifer Reyes

All Rate Groups (Results are as of December 31, 2023)

(A) Liability Reconciliation	Rate Group #1	Rate Group #2	Rate Group #3	Rate Group #4
(1) Total Pension Liability Included in the development of the GASB 67 Addendum Letter	\$577,061,029	\$14,804,042,039	\$934,377,110	\$45,080
(2) (Gain)/Loss from (Lower)/Higher than Expected Salary Increases*	(2,006,000)	78,184,000	3,995,000	0
(3) Loss from Higher than Expected COLA Increases*	166,000	6,920,000	563,000	0
(4) Other Experience (Gain)/Loss*	(5,704,000)	11,771,000	12,756,000	0
(5) Other (Gain)/Loss from Rolled Forward Liabilities to Actual Liabilities	(435,029)	(14,255,039)	(1,567,110)	920
(6) Actuarial Accrued Liability Included in the Funding Valuation Report (sum of items (1) through (5))	\$569,082,000	\$14,886,662,000	\$950,124,000	\$46,000
(B) Asset Reconciliation				
(1) Market Value of Assets Excluding County Investment Account and OCSD UAAL Deferred Account	\$516,404,898	\$11,414,365,357	\$936,883,647	\$44,961
(2) County Investment Account and OCSD UAAL Deferred Account	3,235,878	94,652,961	16,025,000	0
(3) Plan Fiduciary Net Position Included in the development of the GASB 67 Addendum Letter (1) + (2)	519,640,776	11,509,018,318	952,908,647	44,961
(4) Adjustment for Deferred Investment Return, Non-Valuation Reserve	11,934,102	263,785,643	21,651,353	1,039
(5) Valuation of Assets Included in the Funding Valuation Report (1) + (4)	\$528,339,000	\$11,678,151,000	\$958,535,000	\$46,000
Net Pension Liability Shown in the GASB 67 Addendum Letter (A1) - (B3)	\$57,420,253	\$3,295,023,721	\$(18,531,537)	\$119
Unfunded Actuarial Accrued Liability Shown in the Funding Valuation Report (A6) - (B5)	\$40,743,000	\$3,208,511,000	\$(8,411,000)	\$0

* These actuarial gain/loss items can be found in *Section 4, Exhibit 6* of our December 31, 2023 funding valuation report.

All Rate Groups (Results are as of December 31, 2023)

(A) Liability Reconciliation	Rate Group #5	Rate Group #9	Rate Group #10	Rate Group #11
(1) Total Pension Liability Included in the development of the GASB 67 Addendum Letter	\$1,209,376,621	\$64,214,764	\$335,411,461	\$15,877,441
(2) (Gain)/Loss from (Lower)/Higher than Expected Salary Increases*	11,957,000	279,000	(235,000)	(412,000)
(3) Loss from Higher than Expected COLA Increases*	522,000	45,000	174,000	2,000
(4) Other Experience (Gain)/Loss*	(3,936,000)	1,055,000	823,000	113,000
(5) Other (Gain)/Loss from Rolled Forward Liabilities to Actual Liabilities	(769,621)	(181,764)	(470,461)	(5,441)
(6) Actuarial Accrued Liability Included in the Funding Valuation Report (sum of items (1) through (5))	\$1,217,150,000	\$65,412,000	\$335,703,000	\$15,575,000
(B) Asset Reconciliation				
(1) Market Value of Assets Excluding County Investment Account and OCSD UAAL Deferred Account	\$1,001,551,182	\$66,104,331	\$307,672,693	\$14,884,030
(2) County Investment Account and OCSD UAAL Deferred Account	0	0	0	0
(3) Plan Fiduciary Net Position Included in the development of the GASB 67 Addendum Letter (1) + (2)	1,001,551,182	66,104,331	307,672,693	14,884,030
(4) Adjustment for Deferred Investment Return, Non-Valuation Reserve	23,145,818	1,527,669	7,110,307	343,970
(5) Valuation of Assets Included in the Funding Valuation Report (1) + (4)	\$1,024,697,000	\$67,632,000	\$314,783,000	\$15,228,000
Net Pension Liability Shown in the GASB 67 Addendum Letter (A1) - (B3)	\$207,825,439	\$(1,889,567)	\$27,738,768	\$993,411
Unfunded Actuarial Accrued Liability Shown in the Funding Valuation Report (A6) - (B5)	\$192,453,000	\$(2,220,000)	\$20,920,000	\$347,000

* These actuarial gain/loss items can be found in *Section 4, Exhibit 6* of our December 31, 2023 funding valuation report.

All Rate Groups (Results are as of December 31, 2023)

(A) Liability Reconciliation	Rate Group #12	Rate Group #6	Rate Group #7	Rate Group #8	Total
(1) Total Pension Liability Included in the development of the GASB 67 Addendum Letter	\$13,173,813	\$1,128,030,274	\$5,230,774,859	\$2,331,757,083	\$26,644,141,574
(2) (Gain)/Loss from (Lower)/Higher than Expected Salary Increases*	(71,000)	(1,802,000)	(7,892,000)	2,358,000	84,355,000
(3) Loss from Higher than Expected COLA Increases*	2,000	669,000	4,071,000	1,526,000	14,660,000
(4) Other Experience (Gain)/Loss*	(1,064,000)	3,080,000	15,056,000	28,651,000	62,601,000
(5) Other (Gain)/Loss from Rolled Forward Liabilities to Actual Liabilities	79,187	274,726	160,141	(547,083)	(17,716,574)
(6) Actuarial Accrued Liability Included in the Funding Valuation Report (sum of items (1) through (5))	\$12,120,000	\$1,130,252,000	\$5,242,170,000	\$2,363,745,000	\$26,788,041,000
(B) Asset Reconciliation					
(1) Market Value of Assets Excluding County Investment Account and OCSD UAAL Deferred Account	\$14,208,639	\$941,061,106	\$4,231,074,983	\$2,191,038,173	\$21,635,294,000
(2) County Investment Account and OCSD UAAL Deferred Account	0	7,074,542	41,146,619	0	162,135,000
(3) Plan Fiduciary Net Position Included in the development of the GASB 67 Addendum Letter (1) + (2)	14,208,639	948,135,648	4,272,221,602	2,191,038,173	21,797,429,000
(4) Adjustment for Deferred Investment Return, Non-Valuation Reserve	328,361	21,747,894	97,780,017	50,634,827	499,991,000
(5) Valuation of Assets Included in the Funding Valuation Report (1) + (4)	\$14,537,000	\$962,809,000	\$4,328,855,000	\$2,241,673,000	\$22,135,285,000
Net Pension Liability Shown in the GASB 67 Addendum Letter (A1) - (B3)	\$(1,034,826)	\$179,894,626	\$958,553,257	\$140,718,910	\$4,846,712,574
Unfunded Actuarial Accrued Liability Shown in the Funding Valuation Report (A6) - (B5)	\$(2,417,000)	\$167,443,000	\$913,315,000	\$122,072,000	\$4,652,756,000

* These actuarial gain/loss items can be found in Section 4, Exhibit 6 of our December 31, 2023 funding valuation report.