

Retirement Chronicles

October 2005

2004 Board of Retirement Governance Report



At the July 13, 2005 Investment Board meeting, Tom Iannucci of Cortex Applied Research, Inc. reviewed KCERA's 2004 Governance Report for the period ending December 31, 2004. Cortex found that the Board and senior staff are adhering to the spirit and letter of KCERA's governance policies.

In 2001, the Board of Retirement completed development of a comprehensive governance framework containing numerous charters and policies to guide the Board and the Executive Director in governing and managing KCERA. The charters identify the primary responsibilities of the Board, board officers, committees, and the Executive Director. The governance policies provide guidance on how the Board is to carry out its duties.

Every year as part of governance support services to the Board, Cortex provides a review on the extent to which Board practices are consistent with KCERA's governance policies. The 2004 review provided an evaluation of the Board's adherence to the governance policies. In 2005, Cortex will focus on the governance charters. In presenting this year's report, Mr. Iannucci noted that KCERA has demonstrated a highly disciplined approach to Board governance and that KCERA's governance program is one of the most progressive and sophisticated governance efforts among public funds in the nation.

New Board Trustee

Howard Eddy became the newest KCERA Board member in June 2005. He was appointed in lieu of a special election, after running unopposed. Mr. Eddy filled the vacant 7th Member Alternate Board seat, a position elected by Safety members.

Mr. Eddy is employed by the Kern County District Attorney's Office as a District Attorney Investigator III. He earned a BA in Management from the University of Redlands, received a POST Advanced Certificate from the Commission on Peace Officers Standards and Training, and is a Registered Environmental Assessor.

Contact KCERA

1115 Truxtun Avenue, 1st Floor
Bakersfield, CA 93301
Attn: Newsletter Editor

Phone (661) 868-3790
Fax (661) 868-3779
TTY (800) 735-2929
Toll Free (800) 548-0738
Web www.kcera.org
E-mail editor@kcera.org

Upcoming Events

Retirement Planning Seminar

Thursday, December 1, 2005
Board of Supervisors Chambers
1115 Truxtun Avenue, 1st Floor

2005 Investment Board Meetings

October 12
1115 Truxtun Avenue, 3rd Floor

2005 Regular Board Meetings

October 26
November 16*
December 14*
1115 Truxtun Avenue, 3rd Floor

**Investment & Regular Combined Meetings*

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FAQ's

Q. After retiring, when will I receive my first retirement check?

A. Your first full retirement benefit payment will come at the end of the month following the month in which you retire. For example, if you retire October 15, 2005, you will receive your first full benefit payment by November 30, 2005. You will also receive a prorated benefit payment for October within 10 business days after signing your final retirement papers.

Q. Who should I contact for questions about health benefits after retirement?

A. Contact the County Administrative Office, Health Benefits Division, for any questions concerning health benefits. You can call Health Benefits at 661-868-3182, e-mail to healthbenefits@co.kern.ca.us. or visit the web site at www.co.kern.ca.us/cao/empbenefits/.

Board of Retirement

Tony Plante, **Chair**
John De Mario, **Vice-Chair**

Brad Barnes
Claude D. Fiddler
Phil Franey
Joseph Hughes
Sharon E. Lesser
Barbara Patrick
Norman Briggs, Alternate
Jackie Denney, Alternate
Howard Eddy, Alternate

Temporary Annuity Option

At retirement, you have several benefit options from which to choose. If you are under age 62 the Temporary Annuity Option (TAO) is an additional choice available to you.

TAO allows qualified plan members to increase their basic retirement allowance until they become eligible for Social Security at age 62. By augmenting your basic retirement allowance with TAO, you may be able to retire at an earlier age. It can also be a good way to increase your retirement allowance until you are eligible for Social Security.

Your Social Security estimate is used to calculate the additional amount you can receive with TAO. It does not however replace your estimated age 62 Social Security benefits on a dollar-for-dollar basis. In addition, the TAO is not paid to survivors. If you die before reaching age 62, your qualified beneficiary will receive a continuance based on the retirement option you chose without the TAO.

TAO is not available to all members. You may not choose TAO if you retire on a disability retirement, if you are over age 62 at retirement, or if you work for a Special District not participating in Social Security.

Still undecided about TAO? Please see the examples below for an illustration of how TAO works. KCERA can also prepare an estimate to help you decide if it is a good choice for you. Just provide KCERA with a copy of your Social Security Earnings and Benefit Statement when requesting your estimate.

Additional information is available in KCERA's comprehensive member handbook, *Retirement Benefits Information*, and KCERA's informational brochure, *Temporary Annuity Option*. Both items are available in the KCERA office and on our web site at www.kcera.org.

TAO at a Glance

Example 1

General Member, Age 50 at Retirement

Estimated Age 62 Social Security Benefit	\$1,000.00
Unmodified KCERA Benefit (Without TAO)	\$2,378.79
Temporary Annuity Option Amount	\$330.77
KCERA Benefit Payable to Age 62	\$2,709.56
KCERA Benefit Payable after Age 62	\$1,709.56

Example 2

Safety Member, Age 50 at Retirement

Estimated Age 62 Social Security Benefit	\$1,000.00
Unmodified KCERA Benefit (Without TAO)	\$3,953.78
Temporary Annuity Option Amount	\$312.05
KCERA Benefit Payable to Age 62	\$4,265.83
KCERA Benefit Payable after Age 62	\$3,265.83

KCERA's Investment Performance



by Michael C. Schlachter, CFA

Despite worries about oil prices and terrorism, the KCERA investment program continues to generate positive returns and to earn higher rates of return than most other public pension plans. For the quarter ended June 30, 2005, the KCERA portfolio had a return of 2.6 percent, versus 2.2 percent for the median of KCERA's peers. Over the last year, the KCERA has returned 11.1 percent, which is 1.6 percent better than its median peer!

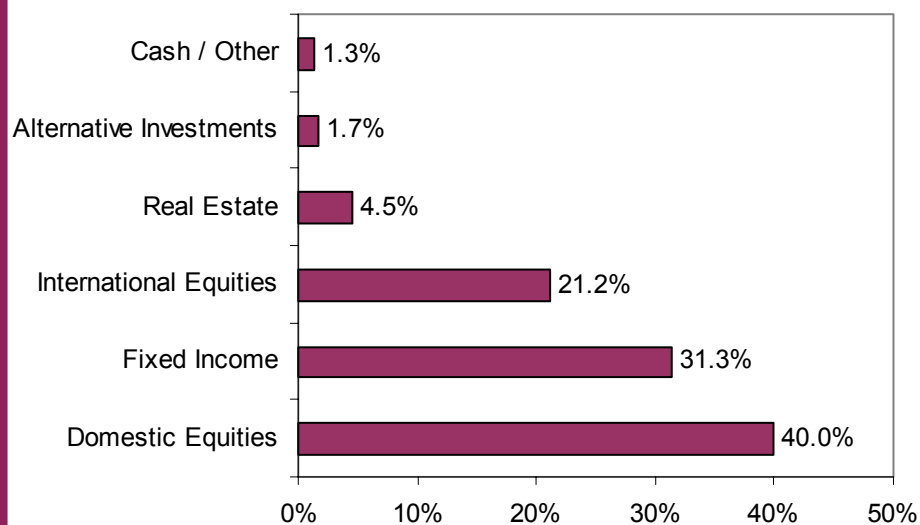
Longer term performance is not quite as strong, unfortunately, due to the extreme market decline from 2000 through 2002, and the KCERA has had a five-year performance of 4.3 percent. However, even this lackluster performance compares quite favorably to other public funds, which returned 0.8 percent lower, on average.

The KCERA's portfolio is diversified across a number of asset categories, helping to limit losses when one market performs worse than the others. In the last year, this diversification has been especially fruitful, with international stock investments returning 16.9 percent, and real estate skyrocketing 33.1 percent.

Over the last few months, the KCERA Board has replaced two underperforming money managers and is currently undertaking other measures to help insure that the KCERA portfolio will continue to perform well, regardless of the market environment.

Michael C. Schlachter, CFA is a Managing Director for Wilshire Associates Inc., which provides investment consulting services for the KCERA Retirement Board.

KCERA's Asset Allocation 2nd Quarter ending June 30, 2005



Retirees' Corner

Keeping Financial Records

How long should you keep financial records? One year? Two years? Forever? The answer depends upon the nature of the records.

The Internal Revenue Service (IRS) recommends keeping most tax and financial records, including your tax return and 1099-R forms, for at least three years. IRS publication 552*, *Recordkeeping for Individuals*, identifies what types of records should be kept for income, expenses, home, and investments and how long those records should be kept.

But, how about the monthly payment advices you receive for your KCERA pension? Should you keep those? The answer is a definite yes! You should keep your monthly payment advices at least one year or longer. These advices show the gross and net amount of your KCERA pension as well as identifying what deductions were withheld from your pension each month. If you need to call or visit the KCERA office to discuss a problem with your pension, always have your monthly advices handy so that KCERA's Service Representatives can quickly and efficiently answer your questions.

**IRS publications are available on the Internet at www.irs.gov or by calling the IRS at 1-800-829-1040.*


Benefit Payment Mailing Dates

October 26, 2005
November 25, 2005
December 27, 2005

Sign Up for Retirement Seminar

Use this form to reserve a seat at an upcoming Retirement Planning Seminar.

Name		SSN (Last 4 Numbers)	
Address			
City		State	Zip
Home Phone	Work Phone		Dept. Name/Number
Please add my name to the reservation list for the Retirement Planning Seminar to be held: <input type="checkbox"/> December 1, 2005 <input type="checkbox"/> May 2006 (Date to be announced later.)			
Mail reservation form to: KCERA 1115 Truxtun Ave. Bakersfield CA 93301	You may also e-mail your reservation to servicerep@kcera.org or fax your reservation to 661-868-3779.		Retirement Planning Seminars are designed for members within five years of retirement. Attendance at seminars is limited to approximately 125 people. Make your reservation early to ensure a seat at the next seminar.


Prudent investment + quality service
Kern County Employees' Retirement Association
1115 Truxtun Ave
Bakersfield CA 93301-4639
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