

Executive Team:

Dominic D. Brown, CPA, CFE
Chief Executive Officer

Daryn Miller, CFA
Chief Investment Officer

Jennifer Zahry, JD
Chief Legal Officer

Matthew Henry, CFE
Chief Operations Officer



Board of Retirement:

David Couch, Chair
Dustin Contreras, Vice-Chair
Deon Duffey
Phil Franey
Phil Franey
Ajaib Gill
Joseph D. Hughes
Jordan Kaufman
Rick Kratt
John Sanders
Tyler Whitezell
Chase Nunneley, Alternate
Robb Seibly, Alternate

March 24, 2025

Members, Board of Retirement
Employee Bargaining Units
Requesting News Media
Other Interested Parties

Subject: Meeting of the Kern County Employees' Retirement Association Finance Committee

Ladies and Gentlemen:

A meeting of the Kern County Employees' Retirement Association Finance Committee will be held on Friday, March 28, 2025, at 1:00 p.m. in the KCERA Boardroom, 11125 River Run Boulevard, Bakersfield, California, 93311.

How to Participate: Listen to or View the Board Meeting

To listen to the live audio of the Board meeting, please dial one of the following numbers and enter ID# 834 1213 6967

- (669) 900-9128; U.S. Toll-free: (888) 788-0099 or (877) 853-5247

To access live audio and video of the Board meeting, please use the following:

- <https://us02web.zoom.us/j/83412136967?pwd=nAJOMMQ2YeIeh9jbCRjbFdTxBvWmE2.1>
- Passcode: 819695

Items of business will be limited to the matters shown on the attached agenda. If you have any questions or require additional service, please contact KCERA at (661) 381-7700 or send an email to administration@kcera.org.

Sincerely,

A handwritten signature in blue ink that reads 'Dominic D. Brown'.

Dominic D. Brown
Chief Executive Officer

Attachments

AGENDA:

All agenda item supporting documentation is available for public review on KCERA's website at www.kcera.org following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location.

**AMERICANS WITH DISABILITIES ACT
(Government Code §54953.2)**

Disabled individuals who need special assistance to listen to and/or participate in the meeting of the Board of Retirement may request assistance by calling (661) 381-7700 or sending an email to administration@kcera.org. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting materials and access available in alternative formats. Requests for assistance should be made at least two (2) days in advance of a meeting whenever possible.

CALL TO ORDER

ROLL CALL (IN PERSON)

AB 2449 REMOTE APPEARANCE(S)

Items 1 and/or 2 withdrawn from agenda if no trustee(s) request to appear remotely:

1. JUST CAUSE CIRCUMSTANCE(S):
 - a) The following Trustee(s) have notified the Committee of a "Just Cause" to attend this meeting via teleconference. (See Government Code § 54953).
 - NONE
 - b) Call for Trustee(s) who wish to notify the Committee of a "Just Cause" to attend this meeting via teleconference. (See Government Code § 54953) – RECEIVE/HEAR REQUEST(S); NO COMMITTEE ACTION REQUIRED
2. EMERGENCY CIRCUMSTANCE(S):
 - a) The following Trustee(s) have requested the Committee approve their attendance of this meeting via teleconference due to an "Emergency Circumstance." (See Government Code § 54953).
 - NONE
 - b) Call for Trustee(s) requesting the Committee approve their attendance of this meeting via teleconference due to an "Emergency Circumstance." (See Government Code § 54953) – TAKE ACTION ON REQUEST(S) FOR REMOTE APPEARANCE DUE TO EMERGENCY CIRCUMSTANCE

CONSENT MATTERS

All items listed with an asterisk (*) are considered to be routine and non-controversial by staff and will be approved by one motion if no member of the Committee or public wishes to comment or ask questions. If comment or discussion is desired by anyone, the item will be removed from the consent agenda and will be considered in the listed sequence with an opportunity for any member of the public to address the Committee concerning the item before action is taken. Staff recommendations are shown in caps after each item.

- *3. [Memo from Chief Operations Officer Matt Henry regarding application of the Actuarial Valuation to the Declining Employer Payroll Policy, SRBR Policy, and the evaluation of Amortization Periods](#) – RECOMMEND THE BOARD OF RETIREMENT RECEIVE AND FILE

PUBLIC COMMENTS


4. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Committee. This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation.
5. [Response to referral and trustee education regarding service credit for part-time and full-time members presented by Chief Executive Officer Dominic Brown and Chief Legal Officer Jennifer Zahry](#) – HEAR PRESENTATION; RECEIVE EDUCATIONAL TRAINING (15 MINUTES TRUSTEE EDUCATION CREDIT)

REFERRALS TO STAFF, ANNOUNCEMENTS, OR REPORTS

6. On their own initiative, Committee members may make a brief announcement, refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities.
7. Adjournment

Date: March 28, 2025

To: Trustees, Finance Committee

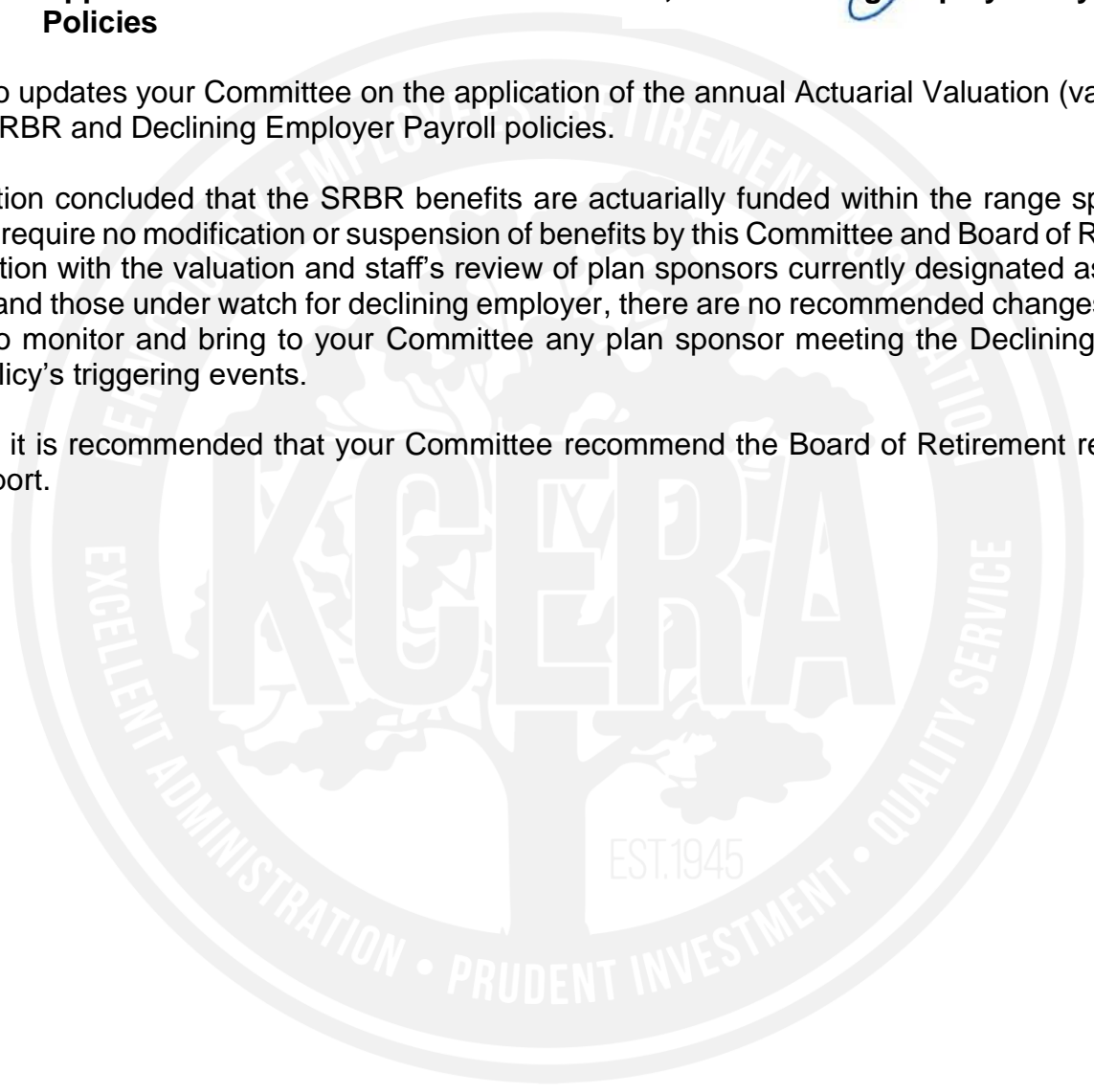
From: Matthew Henry, Chief Operations Officer 

Subject: **Application of Actuarial Valuation to SRBR, and Declining Employer Payroll Policies**

This memo updates your Committee on the application of the annual Actuarial Valuation (valuation) to both the SRBR and Declining Employer Payroll policies.

The valuation concluded that the SRBR benefits are actuarially funded within the range specified by policy that require no modification or suspension of benefits by this Committee and Board of Retirement. In conjunction with the valuation and staff's review of plan sponsors currently designated as declining employer and those under watch for declining employer, there are no recommended changes. Staff will continue to monitor and bring to your Committee any plan sponsor meeting the Declining Employer Payroll Policy's triggering events.

Therefore, it is recommended that your Committee recommend the Board of Retirement receive and file this report.





**SERVICE CREDIT
PART-TIME AND FULL-TIME MEMBERS**

KCERA Finance Committee

March 28, 2025

GUIDING PRINCIPLES

- KCERA's mission is to prudently administer retirement benefits, invest the assets of the Association, and provide quality membership services to eligible public members, retirees, and their beneficiaries
- The Board of Retirement must exercise its fiduciary duty to administer the Plan for the exclusive benefit of the membership (County Employee Retirement Law of 1937)

BACKGROUND

- Before 2019, KCERA credited and charged part-time members with service credit based on the percentage of time scheduled to work.
- In 2019, KCERA changed its practice to conform to section 31640.5 of the CERL. Part-time members are now charged for and receive service credit based on actual hours worked.
- Full-time members are not subject to section 31640.5 of the CERL. They receive full-service credit so long as they earn enough during the pay period to cover their bi-weekly employee payroll contribution.
- This means that full-time members who take unpaid time off may accrue more service credit than they would if they were subject to section 31640.5.
- Employer contributions are based on the member's actual hours worked. This means employer contributions align with the part-time member's service credit, but do not directly align with service credited to full-time members.
- Gross wages are not impacted.

SERVICE CREDIT AND CONTRIBUTION ALIGNMENT ISSUES

Issue 1: Classification of Full-Time Members

- Members designated by employer as Full-Time who regularly work less than a full-time schedule. (Full service credited and charged to member. Employer ONLY pays contributions on actual hours worked).
- KCERA Staff may need to reclassify at retirement.

Issue 2: Full-Time Members with Actual Hours Differing from Scheduled Hours

- Members on unpaid time off who work a portion of a pay period and whose earnings are not sufficient to meet their bi-weekly employee retirement contribution. (No service credited or charged to member. Employer pays contributions on actual hours worked).
- Members on unpaid time off, who work a portion of a pay period and whose earnings are sufficient to meet their bi-weekly employee retirement contribution. (Full service credited and charged to member. Employer ONLY pays contributions on actual hours worked).

LEGAL FRAMEWORK – CREDITING SERVICE FOR FULL- AND PART-TIME MEMBERS

Service Credit for Part-Time Members – Cal. Gov. Code section 31640.5

“Where service for which a member receives credit is on a tenure which is temporary, seasonal, intermittent, or part-time only, the member shall receive credit as continuous service for that proportion of the time he or she held the position as the time he or she actually was engaged in the performance of the duties of the position bears to the time required to perform the same duties in a full-time position.”

LEGAL FRAMEWORK – BOARD DISCRETION

Cal. Const., art. XVI section 17 – Plenary power to administer the system, deliver promised benefits, discharge duties for the exclusive purpose of providing benefits to the members, minimizing employer contributions, and defraying reasonable expenses of administering the system with the care and diligence of a prudent person.

California case law confirms the broad discretion of retirement boards in dealing with benefit administration and correction.

CERL § 31543 – “The board may audit a county...to determine the correctness of retirement benefits, reportable compensation, and enrollment in, and reinstatement to, the system.”

EXAMPLE (MEMBER WORKS, BUT RECEIVES NO CREDIT)

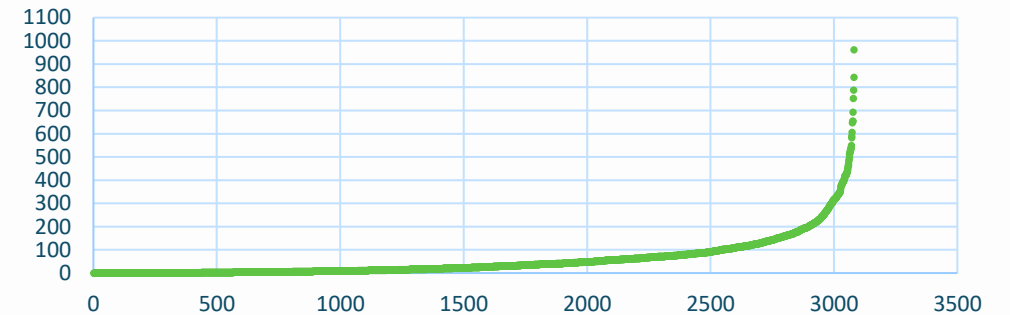
EARNINGS		UNITS	CURRENT	DEDUCTIONS / DEDUCTION ADJUSTMENTS		CURRENT	
NORMAL PAY 02/10/24 - 02/23/24			111.14				
	HOURS	4.6					
			6.67				
TAXES		CURRENT	YEAR TO DATE	INVESTMENTS		CURRENT	YEAR TO DATE
				KCERA EMPL CONTRIBUTIONS		0.00	
FOR MORE INFORMATION ABOUT YOUR KCERA BENEFITS VISIT: HTTPS://MEMBERWEB.KCERA.ORG OR CALL: 661-381-7700							

EXPERIENCE OF FULL-TIME MEMBERS RECEIVING FULL-SERVICE CREDIT FOR WORKING LESS THAN A FULL SCHEDULE

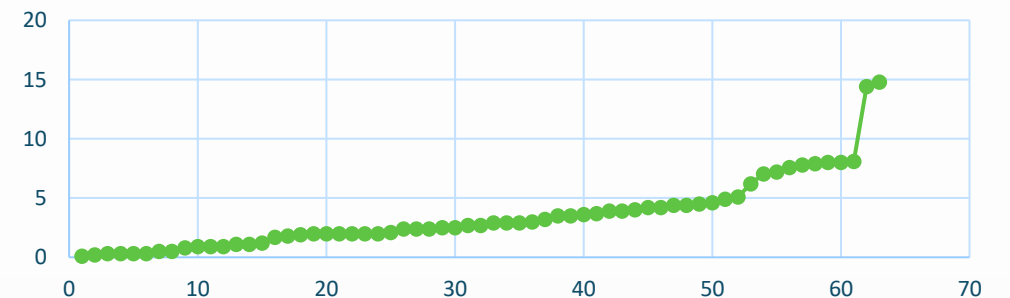
KCERA staff queried the pension administration system to identify the number of members who fell within this category in calendar year 2024:

- Number of members on unpaid time off who received full credit: 3,081
 - Number of instances: 13,360
 - Total Years of Service Credit: 86.26
- Number of members with hours worked, but received no service credit: 63
 - Number of instances: 68
 - Total Years of Service Credit: 0.12

Totals By Member – Receiving Full-Service Credit While Working Less than a Full Schedule



Totals by Member – Hours Worked with No Service Credit



IMPACTS OF CURRENT PRACTICE

Plan Sponsors pay contributions on actual hours worked, so employer contributions match actual member hours worked. Members on unpaid time off who can pay their bi-weekly employee contribution without working a full schedule accrue more service credit than Plan Sponsors are paying contributions for. This results in a slight unfunded future liability because member service credit does not directly align with employer contributions.

Employer	Years of Service Change	Total YOS	% of Total YOS Reduced	ER Normal Cost Not Paid on this Service	ER UAAL Not Paid on this Service
County Of Kern	-41.60	7,203	-0.58%	423,600	1,155,900
Kern County Hospital Authority	-39.72	1,685	-2.36%	404,400	1,103,600
Kern County Superior Court	-3.69	507	-0.73%	37,600	102,600
San Joaquin Valley APCD	-0.64	346	-0.19%	6,500	17,800
Kern County Water Agency	-0.51	51	-1.00%	5,200	14,300
Kern Mosquito & Vector Center	-0.04	21	-0.20%	400	1,100
North Of River Sanitation	-0.03	17	-0.20%	400	1,000
West Side Mosquito	0.00	4	0.00%	-	-
Shafter Rec & Park Dist	0.00	4	0.00%	-	-
West Side Recreation & Park	0.00	4	0.00%	-	-
Berrenda Mesa Water District	-0.02	3	-0.61%	200	500
West Side Cemetery	0.00	3	0.00%	-	-
Buttonwillow Recreation & Park District	0.00	2	0.00%	-	-
East Kern Cemetery District	0.00	2	0.00%	-	-

ANALYSIS

- 3,081 members were granted more service credit than “worked” and 63 members were granted less service credit than “worked”, but all members paid their full contributions for all service credit earned
- Members earned 86 years of additional service credit for time not worked in 2024
- Employers did not pay normal cost contributions of just under \$900,000 and UAAL payments of around \$2,300,000 in 2024 on this extra earned service, likely increasing future UAAL
- There were 9,851 total years of service credit earned in 2024
- There were over \$350 million in total employer contributions for 2024
- Overall plan impact is immaterial
- The use of accrued balances count as “hours worked”
- Impact to individual members could be significant, especially for members who receive credit as full-time but consistently work part-time during their employment. These members could have their service credit (and corresponding pension) reduced at retirement

IMPACTS OF CURRENT SERVICE CREDIT PRACTICE

- County Health Supplement (20-year service credit calculation) is impacted
- Calculation of 30-year stop (when member stops paying contributions) is impacted
- Part-time and full-time members treated differently in terms of service credit
- Employer contributions for full-time members may not match service credit granted
- Employer's programming of contributions is impacted
- **Potential Impact to Plan:**
 - AAL, funded ratio, and contributions
 - Full-time member's lesser need to purchase unpaid time off



PLAN FORWARD

- Staff will continue working on this issue and solicit feedback from stakeholders to prepare to make a future presentation to the Finance Committee
- Staff will consider engaging consultants to ensure all potential impacts are fully evaluated
- Staff is prepared to take direction from the Finance Committee on how to move forward on this issue

QUESTIONS?

