



A quarterly publication of the Kern County Employees' Retirement Association

WHY DIVERSIFY?

You have heard it said, “Don’t put all your eggs in one basket.” This saying is no truer than in the world of investing.

Diversification means dividing up and spreading out money among different investment alternatives. Also called *asset classes*, these various investment vehicles all have inherent strengths and weaknesses.

For example, investing in a higher-risk asset class like domestic equities (U.S. stocks) might yield excellent returns in a “bull market” but poor returns in a “bear market.” In contrast, a lower-risk asset class like government bonds can produce consistent returns, but historically they are quite low.

The challenge for any investor is to determine a comfortable balance, or *asset allocation*, that produces the highest returns at the lowest risk. This is precisely what KCERA has done in diversifying its \$2.8 billion investment portfolio.

Reducing Risk & Thinking Long-Term

The KCERA Board of Retirement diversifies its assets to reduce risk. Rather than tie itself to the fortune of one asset class, KCERA has allocated its funds into several proven investment vehicles. Even if one asset class underperforms

in a given year, the remaining ones can buoy KCERA’s overall returns.



Moreover, diversification fits KCERA’s long-term investment model, which relies primarily on investments to fund the retirement benefits of current and future members.

Consequently, the Board has embraced a long-range investment approach to meet future needs. A sound asset allocation strategy helps to reduce investment risk and investor anxiety, because diversification insulates against short-term downturns in individual markets.

KCERA’s Asset Allocation

In 2010, the Board adopted the following target asset allocations: domestic equities (22.5%), non-U.S. equities (22.5%), fixed income (17%), real return assets (15%), global private equities (10%), absolute return (10%) and cash (3%).

By holding to this allocation, KCERA taps the potential profits available in the equities markets while ensuring a reliable source of revenue in fixed-income vehicles. Other investments, each with a unique risk-reward profile, provide greater diversification for the KCERA portfolio. The Board reviews its asset allocation annually.

Always mindful of meeting its 7.75% assumed rate of return, KCERA’s diversification policy is integral to the Board’s goal of making prudent investments for its members.

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There's Still Time

to sign up for the e-newsletter

In the July edition of *The Retirement Chronicles*, you read about the fast-approaching transition of the KCERA newsletter to an electronic format. The change to an e-newsletter will save thousands of dollars annually in printing and postage costs. And you will be able to access it from the convenience of your computer!

The transition process will happen in two phases. First, the October 2011 edition will be distributed electronically to all county and district employees. Retired and deferred members who have not yet signed up for the e-newsletter will still receive a printed copy.



The second phase begins with the January 2012 edition, which will be delivered electronically to everyone on KCERA's e-distribution list. The print version of the newsletter will end at this time. (However, KCERA will print and mail an annual newsletter to retirees each April.)

If you are a retired or deferred member who has not signed up for the e-newsletter, you still have time!

Subscribe today at www.kcera.org or by emailing your request to newsletter@kcera.org.

What do you know about retirement?

(Answers on back page)

POP QUIZ:

- 1. TRUE OR FALSE.** Purchasing service credit can improve your retirement benefit from KCERA.
- 2. FILL IN THE BLANK.** Running out your accrued vacation hours before retiring is called _____.
- 3. TRUE OR FALSE.** If your ex-spouse is entitled to a portion of your KCERA benefit but you have not submitted a Domestic Relations Order and Joinder, KCERA can still pay you a full retirement benefit.

FAQS

Q. How does KCERA calculate a retirement benefit estimate?

A. When KCERA receives a request to calculate a benefit estimate, we use the most current data on file, including your name, date of birth, membership type, KCERA entry date and beneficiary designation. In addition, we use the retirement date *you* provide to project your total years of service at retirement. Any purchased service credit is also incorporated

into the benefit estimate. Regarding final average salary, KCERA uses your 12 highest, consecutive months of compensation as of the date your estimate is processed.

You can generate your own benefit estimate at www.kcera.org using the Online Benefit Estimator.

KCERA Welcomes Chief Investment Officer

We are pleased to welcome Peter Tirp as KCERA's first chief investment officer.

In this newly created position, Mr. Tirp will oversee KCERA's investments, asset allocation, investment consultant and managers, and risk management.



Although the Board of Retirement retains full authority over the investment program, Mr. Tirp will advise the Board using his capital markets and institutional investment management experience.

Prior to KCERA, he served as an investment officer at Oberlin College in Ohio, where he performed investment due diligence on equity, fixed income and hedge fund managers.

From 2002 to 2006, Mr. Tirp was a principal at Gramercy Partners, an investment advisory firm in New York City. In the preceding years, he worked with major public pension plans while at Shearson Lehman Advisors and Deutsche Bank Asset Management.

Mr. Tirp earned a Master's degree in Public Administration from Harvard University and a B.S. in Business Administration/Finance from the State University of New York at Albany.

Retiree News

KEEP PERSONAL INFO UPDATED

It is important to keep your personal information updated to ensure your KCERA benefits continue to you and your beneficiary without interruption.

To update your name, address, "direct deposit" or tax withholding information, you must complete a Change Request form and return it with a copy of your current U.S. driver's license or state-issued photo ID card. If you need to designate a new beneficiary due to marriage, divorce, domestic partnership registration or death, please complete a Beneficiary Designation form.

All forms can be downloaded from www.kcera.org, picked up at the KCERA office or requested by calling (661) 381-7700. *Please note that your personal information cannot be updated by phone.*

IMPORTANT EVENTS & DATES

Investment Board Meetings

October 12
November 9 (combined)
December 14 (combined)

Regular Board Meetings

October 26
November 9 (combined)
December 14 (combined)

The Board of Retirement meets in the KCERA Board Room located at 11125 River Run Boulevard Bakersfield, California 93311.

The public is invited to attend. Meeting agendas are available online at www.kcera.org.

BOARD OF RETIREMENT

Norman Briggs, *Chair*
Jeff Frapwell, *Vice-Chair*
Jackie Denney
Lance Horton
Joseph Hughes
Konrad Moore
Mark Ratekin
Zack Scrivner
Michael Turnipseed
Bart Camps, *Alternate*
Phil Franey, *Alternate*

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“POP QUIZ” ANSWERS

1. True. Purchasing prior county/district service or prior public service increases your total service credit, which is used to calculate your KCERA benefit. There is no limit to how much eligible prior service you can purchase.

2. Terminal vacation refers to the use of accrued vacation hours leading up to a member’s retirement. During terminal vacation, you continue to receive pay, health insurance and retirement service credit. It’s a great way to move from being employed into retirement!

3. False. KCERA must have both legal documents on file in order to issue your first retirement payment. The Domestic Relations Order instructs KCERA on how to divide the benefit with your ex-spouse. The Joinder legally joins KCERA in the divorce action.