

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

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Tyler Whitezell, Vice-Chair
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Robb Seibly, Alternate

July 29, 2022

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 Thursday, August 4, 2022 at 1:00 p.m. via teleconference pursuant to California Government Code section 54953, subdivision (e) upon adoption of required findings.

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# 834-5957-2527:

- (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/83459572527?pwd=UVRPZXRvV1FibEdqckNHMDFaZFIVdz09>
- Passcode: 812562

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,

Dominic D. Brown
Chief Executive Officer

Attachment

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 teleconference 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.

ROLL CALL

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 BOARD 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 BOARD CONCERNING THE ITEM BEFORE ACTION IS TAKEN. STAFF RECOMMENDATIONS ARE SHOWN IN CAPS AFTER EACH ITEM.

- *1. [Findings needed to utilize alternative teleconferencing requirements during a state of emergency pursuant to California Government Code section 54953 of the Ralph M. Brown Act, as amended by Assembly Bill 361](#) – APPROVE FINDINGS
2. [Presentation on the audit plan for the FY 2021-22 Financial Statement Audit](#), presented by Rich Gonzalez, Engagement Principal, and Garrett Brenk, Senior, CliftonLarsonAllen LLP – HEAR PRESENTATION

3. [Discussion and appropriate action regarding revisions to the Supplemental Retiree Benefit Reserve \(SRBR\) Policy](#) to reflect the Committee's approval of SRBR restructure plan, Option B, presented by Chief Executive Officer Dominic Brown, Chief Legal Officer Jennifer Zahry, and KCERA Actuaries, Paul Angelo and Molly Calcagno, Segal – RECOMMEND APPROVAL OF SRBR POLICY REVISIONS IMPLEMENTING SRBR RESTRUCTURE PLAN, OPTION B, TO BOARD OF RETIREMENT; TAKE OTHER ACTION, AS APPROPRIATE
4. [Update on status of Buttonwillow Recreation and Park District \(District\) under the Declining Employer Payroll Policy](#) presented by Chief Operating Officer Matt Henry – RECOMMEND STAFF CONTINUE TO MONITOR AND REPORT ON THE DISTRICT'S FINANCIAL STATUS FOLLOWING ANNUAL VALUATION FOR POSSIBLE FUTURE DESIGNATION OF A DECLINING EMPLOYER
5. [Discussion and appropriate action on Other Audit Services Request for Proposal \(RFP\)](#) – APPROVE ISSUANCE OF RFP

PUBLIC COMMENTS

6. 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.

REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS

7. 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.
8. Adjournment

**BEFORE THE
KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION'S
FINANCE COMMITTEE
AUGUST 4, 2022**

In the matter of:

FINDINGS RE MEETINGS OF THE KCERA FINANCE COMMITTEE PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54953, AS AMENDED BY ASSEMBLY BILL 361.

Ayes:

Noes:

Absent:

Dominic D. Brown,
Secretary to the Board of Retirement,
Kern County Employees' Retirement Association

FINDINGS

Section 1. WHEREAS:

- (a) A legislative body of the Kern County Employees' Retirement Association ("KCERA") is required by the Ralph M. Brown Act (Cal. Gov. Code¹ 54950 – 54963) ("the Brown Act") to conduct open and public meetings, so that any member of the public may attend, participate, and watch KCERA's legislative bodies conduct their business; and

¹ All statutory references are to the California Government code unless stated otherwise.

- (b) All meetings of KCERA's Finance Committee are open and public in accordance with the Brown Act or other governing authority; and
- (c) KCERA is committed to preserving and encouraging public access and participation in meetings of the Finance Committee; and
- (d) The Brown Act, at section 54953(e) (as added by Assembly Bill 361), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the teleconference requirements of section 54953(b)(3), subject to the existence of certain conditions; and
- (e) A state of emergency must have been declared by the Governor pursuant to section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in section 8558; and such state of emergency must be in effect at the time of the meeting in order to conduct a meeting under section 54953(e); and
- (f) Governor Newsom proclaimed a State of Emergency on March 4, 2020, pursuant to section 8625 that remains active; and
- (g) The KCERA Board of Retirement made findings and adopted Resolution 2022-06 on June 8, 2022, by majority vote, evidencing that it reconsidered the circumstances of the state of emergency and found that the state of emergency continues to directly impact the ability of attendees to safely meet in person over the next 30 days and/or that Cal/OSHA continues to impose or

recommend measures to promote social distancing in certain circumstances;
and

- (h) To continue to teleconference without compliance with section 54953(b)(3), section 54953(e) requires the legislative body to make certain findings by majority vote within 30 days of June 8, 2022; and
- (i) Resolution 2022-06 lapsed due to inaction as KCERA's Board of Retirement was not scheduled to meet within 30 days of June 8, 2022 and is not scheduled to meet again until August 10, 2022; and
- (j) KCERA's Finance Committee wishes to make new Findings for itself in the interim in accordance with its State of Emergency Protocols for KCERA Board Meetings (adopted March 9, 2022) and after reconsidering the circumstances of the state of emergency; and
- (k) On July 26, 2022, the latest estimate of the R-effective in Kern County was 1.04 ("spread of COVID-19 is likely stable") –this number is down from 1.28 on May 31, 2022); and
- (l) The Centers for Disease Control and Prevention (CDC) updated its framework to focus on hospitalizations and hospital capacity rather than test positivity; its multi-tiered approach determines whether the level of COVID-19 and severe disease in the community is low, medium or high; as of July 21, 2022, the CDC classifies Kern County at a "high level" of COVID-19 and severe disease; and

- (m) The 7-day case rate in Kern County, has not been reported by Kern County Public Health since March, but the CDPH reported on July 26, 2022 that Kern County had 30.3 cases per 100,000 with 865 new cases (0.4% increase since last week); and
- (n) Effective March 1, 2022, there is no longer a state mandate requiring masking indoors for anyone; however, the Public Health Officer for the CDPH strongly recommends all individuals wear a mask in all indoor public settings regardless of vaccination status; and
- (o) the Finance Committee finds that it has reconsidered the circumstances of the state of emergency and determines that the state of emergency remains in effect and although much improved, it continues to directly impact the ability of attendees to safely meet in person over the next 30 days.

Upon adoption of the above findings, the following actions are authorized for the August 4, 2022 Finance Committee meeting:

- 1) Remote Teleconference Meetings. The Chief Executive Officer and KCERA's Finance Committee are hereby authorized and directed to take all actions necessary to carry out the intent and purpose of these Findings including, conducting open and public meetings in accordance with Government Code section 54953(e) and other applicable provisions of the Brown Act in order to avoid directly impacting the ability of attendees to meet safely in person on August 4,

2022 during the current State of Emergency (proclaimed by the Governor on March 4, 2020).

- 2) Effective Date of Findings. These Findings shall take effect immediately upon their adoption and shall be effective until such time as the Board of Retirement adopts a subsequent resolution in accordance with Government Code section 54953(e)(3).

FINDINGS HISTORY

- 1) These Findings were:
 - a) Approved by the Board of Retirement Finance Committee on August 4, 2022.

PROPOSED

Evidence in Support of Findings

EVIDENCE IN SUPPORT OF FINDINGS

TABLE OF CONTENTS

R-EFFECTIVE KERN COUNTY (AS OF JULY 26, 2022)	1
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Latest Estimate of R-effective is:

1.07
Spread of COVID-19 is likely stable

What does a R-eff of this size mean?

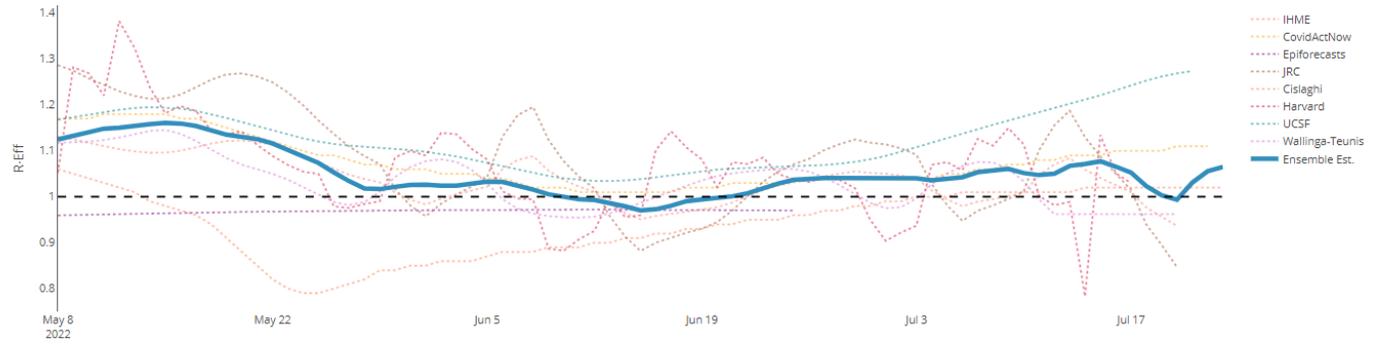
Low/High Estimates of R-effective:

1.02 - 1.11
IHME - CovidActNow

Download R-eff Values

Statewide Estimates of R-effective

The effective reproductive number (R-eff) is the average number of secondary infected persons resulting from a infected person. If R-eff > 1, the number of infected persons will increase. If R-eff < 1, the number of infected persons will decrease. At R-eff = 1, the number of infected persons remains constant.



Kern

Latest Estimate of R-effective is:

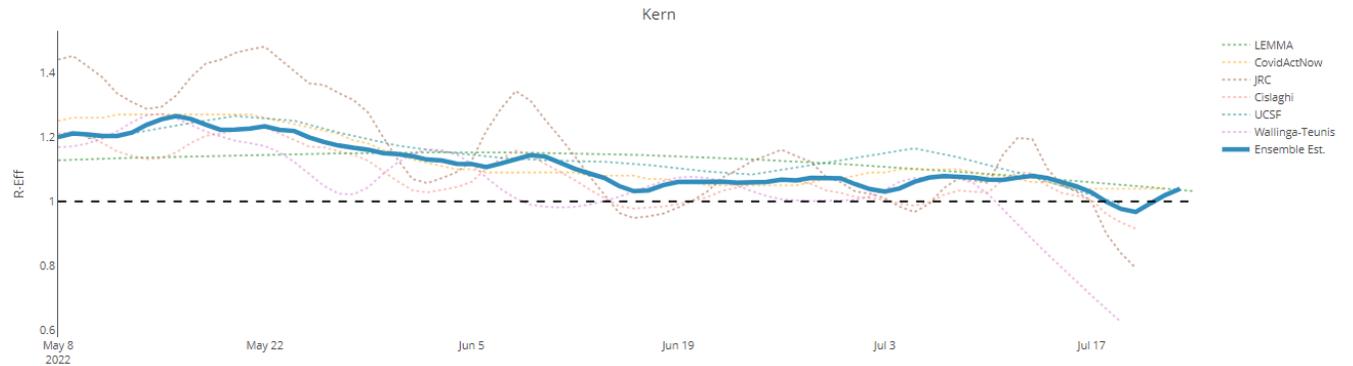
1.04
Spread of COVID-19 is likely stable

Download County R-eff Trend

NOTE: Some counties do not have sufficient case numbers in order for modelers to estimate R-effective.

R-effective Trends by County

Select a county to see how R-effective has changed over time





COVID-19 County Check

Find community levels and prevention steps by county. Data updated weekly.

Select a Location (all fields required)

California Kern County

< Start Over

● High

In Kern County, California, community level is High.

- Wear a [mask](#) indoors in public
- Stay [up to date](#) with COVID-19 vaccines
- [Get tested](#) if you have symptoms
- Additional precautions may be needed for people [at high risk for severe illness](#)

People may choose to mask at any time. People with symptoms, a positive test, or exposure to someone with COVID-19 should wear a mask.

If you are immunocompromised, learn more about [how to protect yourself](#).

Find out more about the COVID-19 situation in Kern County, California with [COVID-19 Data Tracker](#).

July 21, 2022

Cases and deaths

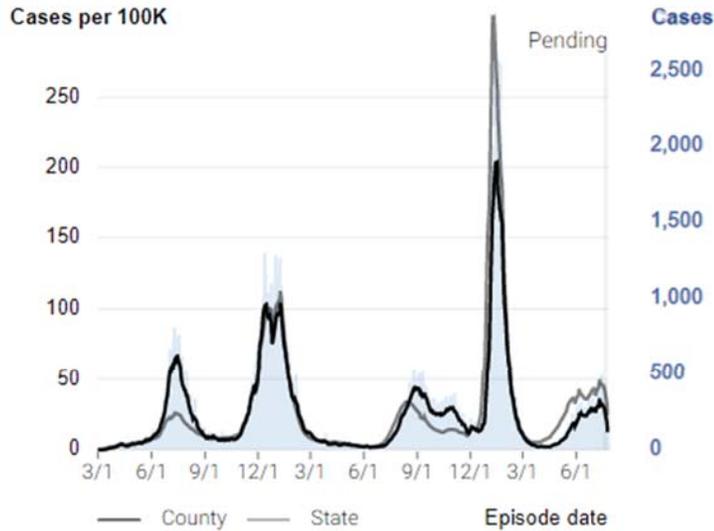
Kern
Statewide

California has 9,871,930 confirmed cases of COVID-19, resulting in 92,595 deaths.

Confirmed cases in Kern County

Episode date ▾
All time ▾

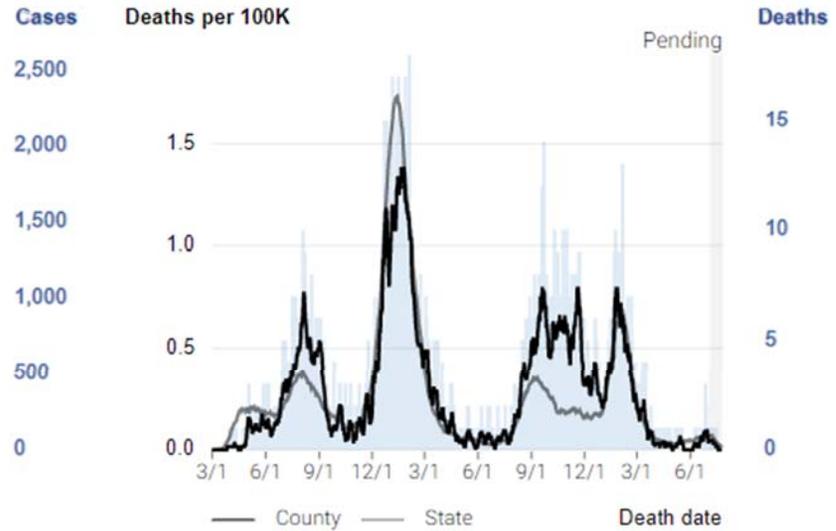
209,400 total confirmed cases
 865 new cases (0.4% increase)
 30.3 cases per 100K (7-day average)



Confirmed deaths in Kern County

Death date ▾
All time ▾

2,368 total confirmed deaths
 2 new deaths (0.1% increase)
 0.05 deaths per 100K (7-day average)



[Confirmed cases and deaths source data](#). Data is updated on Tuesdays and Fridays.

**EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA**

PROCLAMATION OF A STATE OF EMERGENCY

WHEREAS in December 2019, an outbreak of respiratory illness due to a novel coronavirus (a disease now known as COVID-19), was first identified in Wuhan City, Hubei Province, China, and has spread outside of China, impacting more than 75 countries, including the United States; and

WHEREAS the State of California has been working in close collaboration with the national Centers for Disease Control and Prevention (CDC), with the United States Health and Human Services Agency, and with local health departments since December 2019 to monitor and plan for the potential spread of COVID-19 to the United States; and

WHEREAS on January 23, 2020, the CDC activated its Emergency Response System to provide ongoing support for the response to COVID-19 across the country; and

WHEREAS on January 24, 2020, the California Department of Public Health activated its Medical and Health Coordination Center and on March 2, 2020, the Office of Emergency Services activated the State Operations Center to support and guide state and local actions to preserve public health; and

WHEREAS the California Department of Public Health has been in regular communication with hospitals, clinics and other health providers and has provided guidance to health facilities and providers regarding COVID-19; and

WHEREAS as of March 4, 2020, across the globe, there are more than 94,000 confirmed cases of COVID-19, tragically resulting in more than 3,000 deaths worldwide; and

WHEREAS as of March 4, 2020, there are 129 confirmed cases of COVID-19 in the United States, including 53 in California, and more than 9,400 Californians across 49 counties are in home monitoring based on possible travel-based exposure to the virus, and officials expect the number of cases in California, the United States, and worldwide to increase; and

WHEREAS for more than a decade California has had a robust pandemic influenza plan, supported local governments in the development of local plans, and required that state and local plans be regularly updated and exercised; and

WHEREAS California has a strong federal, state and local public health and health care delivery system that has effectively responded to prior events including the H1N1 influenza virus in 2009, and most recently Ebola; and

WHEREAS experts anticipate that while a high percentage of individuals affected by COVID-19 will experience mild flu-like symptoms, some will have more serious symptoms and require hospitalization, particularly individuals who are elderly or already have underlying chronic health conditions; and

WHEREAS it is imperative to prepare for and respond to suspected or confirmed COVID-19 cases in California, to implement measures to mitigate the spread of COVID-19, and to prepare to respond to an increasing number of individuals requiring medical care and hospitalization; and

WHEREAS if COVID-19 spreads in California at a rate comparable to the rate of spread in other countries, the number of persons requiring medical care may exceed locally available resources, and controlling outbreaks minimizes the risk to the public, maintains the health and safety of the people of California, and limits the spread of infection in our communities and within the healthcare delivery system; and

WHEREAS personal protective equipment (PPE) is not necessary for use by the general population but appropriate PPE is one of the most effective ways to preserve and protect California's healthcare workforce at this critical time and to prevent the spread of COVID-19 broadly; and

WHEREAS state and local health departments must use all available preventative measures to combat the spread of COVID-19, which will require access to services, personnel, equipment, facilities, and other resources, potentially including resources beyond those currently available, to prepare for and respond to any potential cases and the spread of the virus; and

WHEREAS I find that conditions of Government Code section 8558(b), relating to the declaration of a State of Emergency, have been met; and

WHEREAS I find that the conditions caused by COVID-19 are likely to require the combined forces of a mutual aid region or regions to appropriately respond; and

WHEREAS under the provisions of Government Code section 8625(c), I find that local authority is inadequate to cope with the threat posed by COVID-19; and

WHEREAS under the provisions of Government Code section 8571, I find that strict compliance with various statutes and regulations specified in this order would prevent, hinder, or delay appropriate actions to prevent and mitigate the effects of the COVID-19.

NOW, THEREFORE, I, GAVIN NEWSOM, Governor of the State of California, in accordance with the authority vested in me by the State Constitution and statutes, including the California Emergency Services Act, and in particular, Government Code section 8625, **HEREBY PROCLAIM A STATE OF EMERGENCY** to exist in California.

IT IS HEREBY ORDERED THAT:

1. In preparing for and responding to COVID-19, all agencies of the state government use and employ state personnel, equipment, and facilities or perform any and all activities consistent with the direction of the Office of Emergency Services and the State Emergency Plan, as well as the California Department of Public Health and the Emergency Medical Services Authority. Also, all residents are to heed the advice of emergency officials with regard to this emergency in order to protect their safety.
2. As necessary to assist local governments and for the protection of public health, state agencies shall enter into contracts to arrange for the procurement of materials, goods, and services needed to assist in preparing for, containing, responding to, mitigating the effects of, and recovering from the spread of COVID-19. Applicable provisions of the Government Code and the Public Contract Code, including but not limited to travel, advertising, and competitive bidding requirements, are suspended to the extent necessary to address the effects of COVID-19.
3. Any out-of-state personnel, including, but not limited to, medical personnel, entering California to assist in preparing for, responding to, mitigating the effects of, and recovering from COVID-19 shall be permitted to provide services in the same manner as prescribed in Government Code section 179.5, with respect to licensing and certification. Permission for any such individual rendering service is subject to the approval of the Director of the Emergency Medical Services Authority for medical personnel and the Director of the Office of Emergency Services for non-medical personnel and shall be in effect for a period of time not to exceed the duration of this emergency.
4. The time limitation set forth in Penal Code section 396, subdivision (b), prohibiting price gouging in time of emergency is hereby waived as it relates to emergency supplies and medical supplies. These price gouging protections shall be in effect through September 4, 2020.
5. Any state-owned properties that the Office of Emergency Services determines are suitable for use to assist in preparing for, responding to, mitigating the effects of, or recovering from COVID-19 shall be made available to the Office of Emergency Services for this purpose, notwithstanding any state or local law that would restrict, delay, or otherwise inhibit such use.
6. Any fairgrounds that the Office of Emergency Services determines are suitable to assist in preparing for, responding to, mitigating the effects of, or recovering from COVID-19 shall be made available to the Office of Emergency Services pursuant to the Emergency Services Act, Government Code section 8589. The Office of Emergency Services shall notify the fairgrounds of the intended use and can immediately use the fairgrounds without the fairground board of directors' approval, and

notwithstanding any state or local law that would restrict, delay, or otherwise inhibit such use.

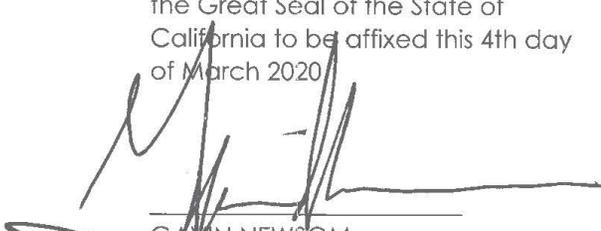
7. The 30-day time period in Health and Safety Code section 101080, within which a local governing authority must renew a local health emergency, is hereby waived for the duration of this statewide emergency. Any such local health emergency will remain in effect until each local governing authority terminates its respective local health emergency.
8. The 60-day time period in Government Code section 8630, within which local government authorities must renew a local emergency, is hereby waived for the duration of this statewide emergency. Any local emergency proclaimed will remain in effect until each local governing authority terminates its respective local emergency.
9. The Office of Emergency Services shall provide assistance to local governments that have demonstrated extraordinary or disproportionate impacts from COVID-19, if appropriate and necessary, under the authority of the California Disaster Assistance Act, Government Code section 8680 et seq., and California Code of Regulations, Title 19, section 2900 et seq.
10. To ensure hospitals and other health facilities are able to adequately treat patients legally isolated as a result of COVID-19, the Director of the California Department of Public Health may waive any of the licensing requirements of Chapter 2 of Division 2 of the Health and Safety Code and accompanying regulations with respect to any hospital or health facility identified in Health and Safety Code section 1250. Any waiver shall include alternative measures that, under the circumstances, will allow the facilities to treat legally isolated patients while protecting public health and safety. Any facilities being granted a waiver shall be established and operated in accordance with the facility's required disaster and mass casualty plan. Any waivers granted pursuant to this paragraph shall be posted on the Department's website.
11. To support consistent practices across California, state departments, in coordination with the Office of Emergency Services, shall provide updated and specific guidance relating to preventing and mitigating COVID-19 to schools, employers, employees, first responders and community care facilities by no later than March 10, 2020.
12. To promptly respond for the protection of public health, state entities are, notwithstanding any other state or local law, authorized to share relevant medical information, limited to the patient's underlying health conditions, age, current condition, date of exposure, and possible contact tracing, as necessary to address the effect of the COVID-19 outbreak with state, local, federal, and nongovernmental partners, with such information to be used for the limited purposes of monitoring, investigation and control, and treatment and coordination of care. The

notification requirement of Civil Code section 1798.24, subdivision (i), is suspended.

13. Notwithstanding Health and Safety Code sections 1797.52 and 1797.218, during the course of this emergency, any EMT-P licensees shall have the authority to transport patients to medical facilities other than acute care hospitals when approved by the California EMS Authority. In order to carry out this order, to the extent that the provisions of Health and Safety Code sections 1797.52 and 1797.218 may prohibit EMT-P licensees from transporting patients to facilities other than acute care hospitals, those statutes are hereby suspended until the termination of this State of Emergency.
14. The Department of Social Services may, to the extent the Department deems necessary to respond to the threat of COVID-19, waive any provisions of the Health and Safety Code or Welfare and Institutions Code, and accompanying regulations, interim licensing standards, or other written policies or procedures with respect to the use, licensing, or approval of facilities or homes within the Department's jurisdiction set forth in the California Community Care Facilities Act (Health and Safety Code section 1500 et seq.), the California Child Day Care Facilities Act (Health and Safety Code section 1596.70 et seq.), and the California Residential Care Facilities for the Elderly Act (Health and Safety Code section 1569 et seq.). Any waivers granted pursuant to this paragraph shall be posted on the Department's website.

I FURTHER DIRECT that as soon as hereafter possible, this proclamation be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this proclamation.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 4th day of March 2020.



GAVIN NEWSOM
Governor of California

ATTEST:

ALEX PADILLA
Secretary of State

**No Material
to be Distributed**



Date: August 4, 2022
To: Trustees, Finance Committee
From: Jennifer Esquivel Zahry, Chief Legal Officer 
Subject: **Revisions to Supplemental Retiree Benefit Reserve (SRBR) Policy**

Background

At the March 30, 2022 meeting of the Finance Committee, KCERA staff and Actuaries presented several options for structural changes to the Supplemental Retiree Benefit Reserve (SRBR) benefits. In a unanimous vote, your Committee selected "Alternative B" and directed staff to return with an updated SRBR Policy that reflected the Committee's decision.

Summary of Changes

The proposed policy revisions (attached) include the following substantive changes:

1. Background: Staff included a brief description of the challenges under the current review process and the reasons prompting the SRBR benefit restructure.
2. Program Objectives: Staff removed portions of this section that tied the review of benefits to a 120% funded status.
3. Funding Goals and Benefit Adjustment Guidelines: Staff removed portions of this section that tied the consideration of SRBR benefits to a 120% funded status.
4. Attachment A: Staff added the following:
 - o the three components of the Restructured SRBR Benefit;
 - o the funding parameters under which benefit modifications to the Restructured SRBR Benefit would occur; and
 - o a reference section which includes the current SRBR Tiers and an additional terms and definitions section.

Recommendation

Staff recommends your Committee recommend the proposed revisions of the Supplemental Retiree Benefit Reserve (SRBR) Policy to the Board of Retirement.



SUPPLEMENTAL RETIREE BENEFIT RESERVE (SRBR) POLICY

PURPOSE

The purpose of this policy is to set forth the Kern County Employees' Retirement Association (KCERA) Board of Retirement's (Board) overall strategy regarding management of the Supplemental Retiree Benefit Reserve (SRBR).

This SRBR policy supersedes any previous SRBR policy. This is a working document and may be modified, as the Board deems necessary.

BACKGROUND

The SRBR is a reserve established pursuant to Article 5.5 of the County Employees' Retirement Law of 1937 (CERL). The SRBR funds are to be used solely for the benefit of KCERA's members (both active and retired) and their beneficiaries and paid only upon retirement of the member.

Article 5.5 governs the crediting of interest to reserves and the allocation of "Excess Earnings". Excess Earnings are generally the amounts that remain after earnings have been used to credit interest to KCERA's reserves, fund the Contingency Reserve, and other statutory requirements. They are generally thought of as earnings in excess of those assumed to be earned under the actuarial valuation assumptions.

Under the provisions of Article 5.5, and in accordance with the Board's Regular Interest Crediting and Excess Interest Crediting Policy, if Excess Earnings remain after that allocation, then 50% of those earnings are allocated to the SRBR and the remaining 50% are allocated as additional interest credits to the valuation reserves (excluding the Allocated SRBR Reserve (0.5% COLA Reserve)) and the COLA Contribution Reserve (CCR).

The Board has exclusive authority and discretion to allocate and distribute funds in the SRBR for the sole purpose of providing additional benefits for its members and their beneficiaries only. The allocation of these funds shall be determined solely by the Board and shall be used only for the benefit of its members or their beneficiaries. The distribution of the SRBR benefit is made only upon member retirement with possible continuation for the member's eligible beneficiaries.

All benefits funded by the SRBR are non-vested and subject to Board discretion and the availability of funds in the SRBR. ~~They are reviewed on a regular basis for~~

~~appropriateness of amount and eligibility, and to ensure, with a responsible confidence, that they are actuarially funded.~~

~~The SRBR received an influx of funds following the settlement of [KCERA's post-the Ventura litigation](#).¹ Since that time, the overfunded status of the SRBR has generated continued debate among the Board, its retired members, and its plan sponsors. The Board has approved at least six different SRBR Benefits since the adoption of Article 5.5, but the application of these benefits to KCERA members is quite complicated. Additionally, the on-going need to evaluate the funding of new benefits, along with the wide-range of benefit options available to the Board, regularly resulted in a prolonged and burdensome approval process. To effectively and efficiently address these issues going forward, the Board has approved a restructure of the SRBR Benefit ("2022 Restructured SRBR").~~

See ~~Exhibit Attachment A~~ for a summary of ~~currently approved~~ [the 2022 Restructured SRBR benefits](#).

PROGRAM OBJECTIVES

1. Administer the SRBR program in accordance with the provisions of the applicable laws. Net earnings, account crediting, benefit costing and funding adequacy are to be determined according to law, and using the same actuarial assumptions utilized by the Board, for account administration and actuarial purposes or assumptions consistent with those activities.
2. ~~Based on the conditions and considerations detailed below,~~ [Perform](#) an assessment, review, and analysis ~~is to be performed~~ to determine the need, if any, to adjust and/or modify, at the exclusive discretion of the Board, the SRBR Benefits [based on the conditions and considerations detailed below](#). These conditions include, but are not limited to the [SRBR funding ratio status](#), the potential impact of any deferred investment gains or losses not yet recognized in the asset smoothing method, and any recent or potential changes in actuarial assumptions. Considerations include the Board's fiduciary duties of loyalty and care, including but not limited to an evaluation of equities among retiree members (current and future), potential hardship associated with curtailing an existing SRBR benefit, and serving members and beneficiaries currently receiving an SRBR benefit.
3. ~~Except for the condition described later regarding a decrease to below a 120% funding level, in no event will a review of SRBR benefits be performed more frequently than every three years. SRBR benefits are subject to modification or elimination, at the exclusive discretion of the Board, at any time with reasonable advance notice in accordance with the provisions of the CERL and the Brown Act.~~

¹ [-Kern Law Enforcement Association et al. v. Board of Retirement, Kern County Employees' Retirement Association](#)

4.3. Structure supplemental benefit programs in a manner that is reasonably calculated to permit KCERA to continue to pay the approved SRBR Benefit(s), so long as the Board determines is prudent and appropriate, and so long as funding is available in the SRBR

5.4. ~~Structure~~ Provide a post-retirement death benefit programs that ~~is~~are payable to a retired member's beneficiary upon the death of the retired member.

FUNDING GOALS AND BENEFIT ADJUSTMENT GUIDELINES

Excess Earnings, and associated interest, are the only source of funding for the SRBR benefits. By their nature, Excess Earnings are produced on an inconsistent basis and cannot be relied upon to appear in any single valuation period. Because of this, the funding of non-vested SRBR benefits is set up differently than funding for vested basic retirement benefits. Due to the nature of their funding, all current and future SRBR benefits are intended to be fully funded when considered for approval; provided, however, when setting these goals and guidelines, the Board recognizes that to the extent economic and/or demographic experience is less favorable than anticipated, or in the event of other contingencies that may arise, funding of the SRBR may be less than anticipated and one or more of the SRBR Benefits may be changed or discontinued.

The Present Value of Future Benefits (PVB) is determined based on the Board allocated SRBR benefits and is the present value at the latest actuarial valuation date of all projected future SRBR benefit payments for all KCERA's current plan members. The future benefit payments and the present value of those payments are intended to reflect assumptions for future service and salary increases for current active members of KCERA, and so are determined using actuarial assumptions as to future events. Examples of these assumptions are estimates of retirement patterns, salary increases, investment returns, etc. Another way to think of the PVB is that if the SRBR has assets equal to the PVB and all actuarial assumptions are met, then no future allocations to the SRBR reserve would be needed to provide all future SRBR benefits for all current KCERA members. The PVB also includes actuarial assumptions for future service and salary increases for current active members of KCERA.

The SRBR funding status is calculated by comparing the SRBR Reserve*, ~~excluding the court ordered Allocated SRBR Reserve (i.e., the 0.5% COLA Reserve),~~ to the current actuarial funding target, which is the PVB described above.

~~If it is determined, based on the last two consecutive actuarial valuations, that the PVB for the allocated SRBR benefits is more than 120% funded in both valuations, then the Board may consider increasing existing, or adding additional, SRBR benefits. Benefit increases will only be adopted if they do not reduce the funding status below 120%. That consideration will take into account the current status of deferred investment gains and~~

~~losses not yet recognized under the asset smoothing method and any recent or potential changes in actuarial assumptions.~~

~~Any Board changes to the current KCERA SRBR benefit levels will take into consideration the advice of KCERA management, the Board's general counsel and its actuarial consultant.~~

The Board will monitor the long-term funding implication of all of the existing SRBR programs, which provide benefits outlined in this Policy. ~~Should the funding status of the allocated SRBR benefits drop below the 120% funding level for the last two consecutive actuarial valuations, the Board will consider reducing or eliminating the SRBR Benefit that provides the least amount of benefit to those KCERA members who have suffered, since their retirement, the greatest erosion of their purchasing power as determined by KCERA management, the Board's general counsel and its actuarial consultant. Specifically, SRBR benefits are to be reviewed annually for appropriateness of amount and eligibility, and to ensure, with a responsible confidence, that they are actuarially funded. Such review will occur upon presentation of the annual SRBR Valuation and Review to the Board. If the funded status of the SRBR Reserve,* as reported in the annual SRBR Valuation and Review drops below 95% or exceeds 115% for two consecutive actuarial valuations, the Board will consider the options described in Attachment A.~~

~~*excluding the court orderd Allocated SRBR Reserve (i.e. 0.5% COLA Reserve)~~

POLICY REVIEW

~~The Board retains the authority to add or delete programs or modify this Policy or these guidelines at any time.~~

~~The Board shall review the SRBR Policy as needed.~~

~~SRBR benefits are subject to modification or elimination, at the exclusive discretion of the Board, at any time with reasonable advance notice in accordance with the provisions of the CERL and the Brown Act. Any Board changes to the current KCERA SRBR benefit levels will take into consideration the advice of KCERA management, the Board's counsel and its actuarial consultant.~~

POLICY REVIEW AND HISTORY

- 1) This policy was:
 - a) Adopted by the Board on November 3, 2017.
 - b) Amended March 14, 2018, ~~and on~~ August 11, 2021, and on [month day, year].

**Kern County Employees' Retirement Association
Supplemental Retiree Benefit Reserve (SRBR) Policy
Exhibit Attachment A**

1. 2022 Restructured SRBR Benefit. The Board of Retirement has ~~currently~~ approved the following ~~Benefits~~ Restructured SRBR Benefit for members hired on or before July 1, 2022:

A. Comparison. All eligible members and beneficiaries will undergo a one-time comparison between the Legacy SRBR Benefit ("Floor Benefit") and \$1.80 per month per year of service benefit ("Service SRBR") (adjusted annually by a fixed rate COLA) and will receive the greater of either the "Floor Benefit" or the "Service SRBR" Benefit.

1) For members and beneficiaries currently in pay status:

i. the "Floor Benefit" will be based on the total current Legacy SRBR benefit being paid to the member or beneficiary as of July 1, 2022.

ii. the "Service SRBR" benefit will be based on the member's years of service at retirement multiplied by \$1.80.

2) For members first entering retirement:

i. the "Floor Benefit" will be based on the total Legacy SRBR benefit the member would have been eligible for as of their retirement date.

ii. the "Service SRBR" benefit will be based on the member's years of service at retirement multiplied by \$1.80 and adjusted annually by a 2.5% fixed rate COLA effective as of July 1, 2022 (without regard to retirement date) with the first increase applied July 1, 2023.

AND

B. COLA. The benefit determined in section 1.A above will be adjusted annually to receive a 2.5% fixed rate COLA on July 1 each year, with the first increase applied on the latter of July 1, 2023 or the July 1st immediately following the date of retirement.

1) Upon the death of the member, 60% of the member's then-current benefit will continue to the member's beneficiary and will be adjusted annually to receive a 2.5% fixed rate COLA on July 1 each year for the life of the beneficiary.

2) If a member's benefit is subject to division pursuant to a court-order, KCERA will automatically include the applicable SRBR Benefit in the division unless specifically ordered not to do so.

AND

C. Death Benefit. An additional one-time post-retirement death benefit of \$5,000 is paid to a member's beneficiary upon the death of the retired member. (This benefit was part of the Legacy SRBR benefit and remains unchanged).

2. Modifications to the Restructured SRBR Benefit. The Board has approved modifications under the following circumstances:

A. Should the funded status of the SRBR Reserve*, as reported in the annual SRBR Valuation and Review, drop below 95% or exceed 115% for two consecutive actuarial valuations, the Board will consider the following options:

- 1) SRBR Funded Status Less than 95%: Suspend the 2.5% fixed rate COLA for all eligible members or beneficiaries until the SRBR funded status reaches 100%, as reported in the subsequent year's annual SRBR Valuation and Review.
- 2) SRBR Funding Status Above 115%: Push forward the eligibility hire date to include additional members, increase the flat rate COLA, and/or increase the lump sum death benefit.

*excluding the court ordered Allocated SRBR Reserve (i.e. 0.5% COLA Reserve)

3. For Reference:

A. The Legacy SRBR Benefit (excluding the Death Benefit) is as follows:

SRBR Tier 1: \$35.50 per month payable to retirees who were hired on or before July 1, 1994.

For purposes of determining the "Floor Benefit," effective July 1, 2022, SRBR Tier 1 will be based on a retiree's initial hire date.

Note: Upon the death of the retired member, 60% of the Tier 1 SRBR benefit continues to the retired member's beneficiary.

SRBR Tier 2: Three additional monthly stipends payable to retirees:

- \$1.372 per year of service for members who retired prior to 1985. This was granted July 1, 1994.
- \$5.470 per year of service for members who retired prior to 1985. This was granted July 1, 1996.

- \$10.276 per year of service for members who retired prior to 1981. This was granted July 1, 1997.

Note: Upon death of the retired member, 60% of the Tier 2 SRBR benefits continue to the retired member's beneficiary.

SRBR Tier 3: Additional benefits to maintain 82% purchasing power protection. Upon death, this benefit continues to be paid to the retired member's beneficiary based on the applicable continuation percentage under the member's form of payment elected at retirement. There is a cap on the maximum annual inflation used in the calculation of the SRBR Tier 3 benefits of 4%.

SRBR Tier 4: \$21 per month granted starting July 1, 2018, payable to retirees who were hired prior to July 1, 2018.

Note: Upon the death of the retired member, 60% of the Tier 2 SRBR benefit continues to the retired member's beneficiary.

~~**Death Benefit:** An additional one-time post-retirement death benefit of \$5,000 is paid to a retired member's beneficiary upon the death of the retired member.~~

B. Additional Terms and Definitions

1. Hire Date. As used in this Policy, "hire date" refers to a member's initial hire date. The initial hire date will apply to re-hired members, members who have completed a redeposit of contributions, and/or members reinstated following retirement.
2. Years of Service. As used in this Policy, years of service includes service performed with a KCERA employer and any service credited after completing a redeposit of contributions. For purposes of the Legacy SRBR Tier 2 benefit, years of service remains limited to 25 years. No such limit exists for purposes of calculating the "Service SRBR".
3. Benefit Adjustments. If a member or beneficiary's SRBR benefit is modified, reduced, or suspended, person(s) receiving any portion of that benefit will be proportionately adjusted.
4. Taxes. Taxes will be applied to any SRBR benefit as required by the Internal Revenue Service.



SUPPLEMENTAL RETIREE BENEFIT RESERVE (SRBR) POLICY

PURPOSE

The purpose of this policy is to set forth the Kern County Employees' Retirement Association (KCERA) Board of Retirement's (Board) overall strategy regarding management of the Supplemental Retiree Benefit Reserve (SRBR).

This SRBR policy supersedes any previous SRBR policy. This is a working document and may be modified, as the Board deems necessary.

BACKGROUND

The SRBR is a reserve established pursuant to Article 5.5 of the County Employees' Retirement Law of 1937 (CERL). The SRBR funds are to be used solely for the benefit of KCERA's members (both active and retired) and their beneficiaries and paid only upon retirement of the member.

Article 5.5 governs the crediting of interest to reserves and the allocation of "Excess Earnings". Excess Earnings are generally the amounts that remain after earnings have been used to credit interest to KCERA's reserves, fund the Contingency Reserve, and other statutory requirements. They are generally thought of as earnings in excess of those assumed to be earned under the actuarial valuation assumptions.

Under the provisions of Article 5.5, and in accordance with the Board's Regular Interest Crediting and Excess Interest Crediting Policy, if Excess Earnings remain after that allocation, then 50% of those earnings are allocated to the SRBR and the remaining 50% are allocated as additional interest credits to the valuation reserves (excluding the Allocated SRBR Reserve (0.5% COLA Reserve)) and the COLA Contribution Reserve (CCR).

The Board has exclusive authority and discretion to allocate and distribute funds in the SRBR for the sole purpose of providing additional benefits for its members and their beneficiaries only. The allocation of these funds shall be determined solely by the Board and shall be used only for the benefit of its members or their beneficiaries. The distribution of the SRBR benefit is made only upon member retirement with possible continuation for the member's eligible beneficiaries.

All benefits funded by the SRBR are non-vested and subject to Board discretion and the availability of funds in the SRBR.

The SRBR received an influx of funds following the settlement of KCERA's post-*Ventura* litigation.¹ Since that time, the overfunded status of the SRBR has generated continued debate among the Board, its retired members, and its plan sponsors. The Board has approved at least six different SRBR Benefits since the adoption of Article 5.5, but the application of these benefits to KCERA members is quite complicated. Additionally, the on-going need to evaluate the funding of new benefits, along with the wide-range of benefit options available to the Board, regularly resulted in a prolonged and burdensome approval process. To effectively and efficiently address these issues going forward, the Board has approved a restructure of the SRBR Benefit ("2022 Restructured SRBR").

See Attachment A for a summary of the 2022 Restructured SRBR benefits.

PROGRAM OBJECTIVES

1. Administer the SRBR program in accordance with the provisions of the applicable laws. Net earnings, account crediting, benefit costing and funding adequacy are to be determined according to law, and using the same actuarial assumptions utilized by the Board, for account administration and actuarial purposes or assumptions consistent with those activities.
2. Perform an assessment, review, and analysis to determine the need, if any, to adjust and/or modify, at the exclusive discretion of the Board, the SRBR Benefits based on the conditions and considerations detailed below. These conditions include, but are not limited to the SRBR funding status, the potential impact of any deferred investment gains or losses not yet recognized in the asset smoothing method, and any recent or potential changes in actuarial assumptions. Considerations include the Board's fiduciary duties of loyalty and care, including but not limited to an evaluation of equities among retiree members (current and future), potential hardship associated with curtailing an existing SRBR benefit, and serving members and beneficiaries currently receiving an SRBR benefit.
3. Structure supplemental benefit programs in a manner that is reasonably calculated to permit KCERA to continue to pay the approved SRBR Benefit(s), so long as the Board determines is prudent and appropriate, and so long as funding is available in the SRBR
4. Provide a post-retirement death benefit that is payable to a retired member's beneficiary upon the death of the retired member.

FUNDING GOALS AND BENEFIT ADJUSTMENT GUIDELINES

Excess Earnings, and associated interest, are the only source of funding for the SRBR benefits. By their nature, Excess Earnings are produced on an inconsistent basis and cannot be relied upon to appear in any single valuation period. Because of this, the funding of non-vested SRBR benefits is set up differently than funding for vested basic

¹ *Kern Law Enforcement Association et al. v. Board of Retirement, Kern County Employees' Retirement Association*

retirement benefits. Due to the nature of their funding, all current and future SRBR benefits are intended to be fully funded when considered for approval; provided, however, when setting these goals and guidelines, the Board recognizes that to the extent economic and/or demographic experience is less favorable than anticipated, or in the event of other contingencies that may arise, funding of the SRBR may be less than anticipated and one or more of the SRBR Benefits may be changed or discontinued.

The Present Value of Future Benefits (PVB) is determined based on the Board allocated SRBR benefits and is the present value at the latest actuarial valuation date of all projected future SRBR benefit payments for all KCERA's current plan members. The future benefit payments and the present value of those payments are intended to reflect assumptions for future service and salary increases for current active members of KCERA, and so are determined using actuarial assumptions as to future events. Examples of these assumptions are estimates of retirement patterns, salary increases, investment returns, etc. Another way to think of the PVB is that if the SRBR has assets equal to the PVB and all actuarial assumptions are met, then no future allocations to the SRBR reserve would be needed to provide all future SRBR benefits for all current KCERA members. The PVB also includes actuarial assumptions for future service and salary increases for current active members of KCERA.

The SRBR funding status is calculated by comparing the SRBR Reserve* to the current actuarial funding target, which is the PVB described above.

The Board will monitor the long-term funding implication of all of the existing SRBR programs, which provide benefits outlined in this Policy. Specifically, SRBR benefits are to be reviewed annually for appropriateness of amount and eligibility, and to ensure, with a responsible confidence, that they are actuarially funded. Such review will occur upon presentation of the annual SRBR Valuation and Review to the Board. If the funded status of the SRBR Reserve,* as reported in the annual SRBR Valuation and Review drops below 95% or exceeds 115% for two consecutive actuarial valuations, the Board will consider the options described in Attachment A.

*excluding the court orderd Allocated SRBR Reserve (i.e. 0.5% COLA Reserve)

POLICY REVIEW

SRBR benefits are subject to modification or elimination, at the exclusive discretion of the Board, at any time with reasonable advance notice in accordance with the provisions of the CERL and the Brown Act. Any Board changes to the current KCERA SRBR benefit levels will take into consideration the advice of KCERA management, the Board's counsel and its actuarial consultant.

POLICY REVIEW AND HISTORY

- 1) This policy was:
 - a) Adopted by the Board on November 3, 2017.
 - b) Amended March 14, 2018, August 11, 2021, and on [month day, year].

**Kern County Employees' Retirement Association
Supplemental Retiree Benefit Reserve (SRBR) Policy
Attachment A**

1. 2022 Restructured SRBR Benefit. The Board of Retirement has approved the following Restructured SRBR Benefit for members hired on or before July 1, 2022:

- A. **Comparison**. All eligible members and beneficiaries will undergo a one-time comparison between the Legacy SRBR Benefit ("Floor Benefit") and \$1.80 per month per year of service benefit ("Service SRBR") (adjusted annually by a fixed rate COLA) and will receive the greater of either the "Floor Benefit" or the "Service SRBR" Benefit.
- 1) For members and beneficiaries currently in pay status:
 - i. the "Floor Benefit" will be based on the total current Legacy SRBR benefit being paid to the member or beneficiary as of July 1, 2022.
 - ii. the "Service SRBR" benefit will be based on the member's years of service at retirement multiplied by \$1.80.
 - 2) For members first entering retirement:
 - i. the "Floor Benefit" will be based on the total Legacy SRBR benefit the member would have been eligible for as of their retirement date.
 - ii. the "Service SRBR" benefit will be based on the member's years of service at retirement multiplied by \$1.80 and adjusted annually by a 2.5% fixed rate COLA effective as of July 1, 2022 (without regard to retirement date) with the first increase applied July 1, 2023.

AND

- B. **COLA**. The benefit determined in section 1.A above will be adjusted annually to receive a 2.5% fixed rate COLA on July 1 each year, with the first increase applied on the latter of July 1, 2023 or the July 1st immediately following the date of retirement.
- 1) Upon the death of the member, 60% of the member's then-current benefit will continue to the member's beneficiary and will be adjusted annually to receive a 2.5% fixed rate COLA on July 1 each year for the life of the beneficiary.
 - 2) If a member's benefit is subject to division pursuant to a court-order, KCERA will automatically include the applicable SRBR Benefit in the division unless specifically ordered not to do so.

AND

- C. **Death Benefit.** An additional one-time post-retirement death benefit of \$5,000 is paid to a member's beneficiary upon the death of the retired member. (This benefit was part of the Legacy SRBR benefit and remains unchanged).

2. Modifications to the Restructured SRBR Benefit. The Board has approved modifications under the following circumstances:

A. Should the funded status of the SRBR Reserve*, as reported in the annual SRBR Valuation and Review, drop below 95% or exceed 115% for two consecutive actuarial valuations, the Board will consider the following options:

- 1) SRBR Funded Status Less than 95%: Suspend the 2.5% fixed rate COLA for all eligible members or beneficiaries until the SRBR funded status reaches 100%, as reported in the subsequent year's annual SRBR Valuation and Review.
- 2) SRBR Funding Status Above 115%: Push forward the eligibility hire date to include additional members, increase the flat rate COLA, and/or increase the lump sum death benefit.

*excluding the court ordered Allocated SRBR Reserve (i.e. 0.5% COLA Reserve)

3. For Reference:

A. The Legacy SRBR Benefit (excluding the Death Benefit) is as follows:

SRBR Tier 1: \$35.50 per month payable to retirees who were hired on or before July 1, 1994.

For purposes of determining the "Floor Benefit," effective July 1, 2022, SRBR Tier 1 will be based on a retiree's initial hire date.

Note: Upon the death of the retired member, 60% of the Tier 1 SRBR benefit continues to the retired member's beneficiary.

SRBR Tier 2: Three additional monthly stipends payable to retirees:

- \$1.372 per year of service for members who retired prior to 1985. This was granted July 1, 1994.
- \$5.470 per year of service for members who retired prior to 1985. This was granted July 1, 1996.
- \$10.276 per year of service for members who retired prior to 1981. This was granted July 1, 1997.

Note: Upon death of the retired member, 60% of the Tier 2 SRBR benefits continue to the retired member's beneficiary.

SRBR Tier 3: Additional benefits to maintain 82% purchasing power protection. Upon death, this benefit continues to be paid to the retired member's beneficiary based on the applicable continuation percentage under the member's form of payment elected at retirement. There is a cap on the maximum annual inflation used in the calculation of the SRBR Tier 3 benefits of 4%.

SRBR Tier 4: \$21 per month granted starting July 1, 2018, payable to retirees who were hired prior to July 1, 2018.

Note: Upon the death of the retired member, 60% of the Tier 2 SRBR benefit continues to the retired member's beneficiary.

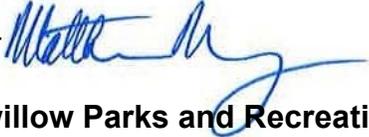
B. Additional Terms and Definitions

1. **Hire Date.** As used in this Policy, "hire date" refers to a member's initial hire date. The initial hire date will apply to re-hired members, members who have completed a redeposit of contributions, and/or members reinstated following retirement.
2. **Years of Service.** As used in this Policy, years of service includes service performed with a KCERA employer and any service credited after completing a redeposit of contributions. For purposes of the Legacy SRBR Tier 2 benefit, years of service remains limited to 25 years. No such limit exists for purposes of calculating the "Service SRBR".
3. **Benefit Adjustments.** If a member or beneficiary's SRBR benefit is modified, reduced, or suspended, person(s) receiving any portion of that benefit will be proportionately adjusted.
4. **Taxes.** Taxes will be applied to any SRBR benefit as required by the Internal Revenue Service.



KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Memorandum from the
Office of the Chief Operations Officer
Matthew Henry

Date: August 4, 2022
To: Trustees, Finance Committee
From: Matthew Henry, Chief Operations Officer 
Subject: **Declining Employer Payroll – Buttonwillow Parks and Recreation District**

The attached information is for reference in the discussion and appropriate action regarding application of the Declining Employer Payroll policy to Buttonwillow Parks and Recreation District (District). The attached information includes the following:

- **Exhibit A** – Number of active, retired, and deferred employees;
 - Active – One
 - Receiving retirement – One
 - Deferred – TwoThe number of active employees has decreased to one from a high of five in fiscal year 2012-2013.
- **Exhibit B** – Current year cash activity and balances maintained at the County as of 06/30/2022;
 - 42404 Buttonwillow Rec & Park District \$8,851.03
 - 42405 Buttonwillow Rec & Park Building \$1,268.07
 - 42406 Buttonwillow Rec & Park 08 Bond \$0
- **Exhibit C** – Current GASB 68 Schedule of Reconciliation of Net Pension Liability; The District has made current contributions to the plan.
- **Exhibit D** – The District's response to the December 1, 2021 Grand Jury Report.
- **Exhibit E** – Recent article in the *Bakersfield Californian* reporting on the Grand Jury's December 1, 2021 report regarding the effect of falling oil prices on the District.

On July 31, 2019, the Finance Committee was informed about the District being reviewed under the Declining Employer Payroll policy. The District will continue to be monitored under the Declining Employer Payroll policy.

Our recommendation is to continue to monitor the District and evaluate whether any action needs to be considered by the Finance Committee in the future.

Buttonwillow Recreation & Park District

Active		
As of Date	Full time	Part-time
6/30/2008	3	0
6/30/2009	3	1
6/30/2010	4	1
6/30/2011	5	1
6/30/2012	5	1
6/30/2013	5	1
6/30/2014	3	1
6/30/2015	3	1
6/30/2016	4	0
6/30/2017	3	0
6/30/2018	2	0
6/30/2019	1	0
6/30/2020	1	0
6/30/2021	1	0
6/30/2022	1	0

Retiree		
As of Date	Members	Survivors/Alt Payees
6/30/2014	0	0
6/30/2015	0	0
6/30/2016	0	0
6/30/2017	0	0
6/30/2018	1	0
6/30/2019	1	0
6/30/2020	1	0
6/30/2021	1	0
6/30/2022	1	0

Deferred		
As of Date	Full time	Part-time
6/30/2014	2	0
6/30/2015	3	0
6/30/2016	2	0
6/30/2017	2	0
6/30/2018	2	0
6/30/2019	2	0
6/30/2020	2	0
6/30/2021	2	0
6/30/2022	2	0

General Ledger Balance Sheet - (FOS) - FOR/FOS

((AsOfDate Equals 06/30/2022) AND (FundNo Equals 42404))

	AcctNo	Account Name	Crdt/Dbt	Beginning Balance	YTD_Debit	YTD_Credit	Current Balance
FundNo: 42404, FundName: BUTTONWILLOW REC & PARK DIST							
AccountType: Asset							
	0110	CASH IN TREASURY	Debit	535,144.88	258,416.58	784,710.43	8,851.03
Total AccountType: Asset				535,144.88	258,416.58	784,710.43	8,851.03
AccountType: Liability							
	1010	WARRANTS PAYABLE	Credit	-	775,000.00	775,000.00	-
	1012	ACCOUNTS PAYABLE	Credit	-	775,000.00	775,000.00	-
Total AccountType: Liability				-	1,550,000.00	1,550,000.00	-
AccountType: Net Asset or Fund Balance							
	2350	FUND BALANCE AVAILABLI	Credit	(535,144.88)	775,243.62	27.42	240,071.32
	2410	ESTIMATED REVENUES	Debit	-	-	-	-
	2710	REVENUES	Credit	-	9,466.81	258,389.16	(248,922.35)
	2990	BUDGETARY CLEARING	Debit	-	-	-	-
Total AccountType: Net Asset or Fund Balance				(535,144.88)	784,710.43	258,416.58	(8,851.03)
Total FundNo: 42404, FundName: BUTTONWILLOW REC & PARK DIST							
				-	2,593,127.01	2,593,127.01	-
				-	2,593,127.01	2,593,127.01	-

General Ledger Balance Sheet - (FOS) - FOR/FOS

((AsOfDate Equals 06/30/2022) AND (FundNo Equals 42405))

	AcctNo	Account Name	Crdt/Dbt	Beginning			Current
				Balance	YTD_Debit	YTD_Credit	Balance
FundNo: 42405, FundName: BUTTONWILLOW REC & PARK BLDG							
AccountType: Asset							
	0110	CASH IN TREASURY	Debit	1,255.38	12.69	-	1,268.07
Total AccountType: Asset				1,255.38	12.69	-	1,268.07
AccountType: Net Asset or Fund Balance							
	2350	FUND BALANCE AVAILABLE	Credit	(1,255.38)	-	-	(1,255.38)
	2410	ESTIMATED REVENUES	Debit	-	-	-	-
	2710	REVENUES	Credit	-	-	12.69	(12.69)
	2990	BUDGETARY CLEARING	Debit	-	-	-	-
Total AccountType: Net Asset or Fund Balance				(1,255.38)	-	12.69	(1,268.07)
Total FundNo: 42405, FundName: BUTTONWILLOW REC & PARK BLDG							
				-	12.69	12.69	-
				-	12.69	12.69	-

General Ledger Balance Sheet - (FOS) - FOR/FOS

((AsOfDate Equals 06/30/2022) AND (FundNo Equals 42406))

	AcctNo	Account Name	Crdt/Dbt	Beginning Balance	YTD_Debit	YTD_Credit	Current Balance
FundNo: 42406, FundName: BUTTONWILLOW REC & PARK 08 BND							
AccountType: Asset							
	0110	CASH IN TREASURY	Debit	2,616.51	187.10	2,803.61	-
Total AccountType: Asset				2,616.51	187.10	2,803.61	-
AccountType: Net Asset or Fund Balance							
	2350	FUND BALANCE AVAILABLE	Credit	(2,616.51)	2,458.44	-	(158.07)
	2410	ESTIMATED REVENUES	Debit	-	-	-	-
	2710	REVENUES	Credit	-	345.17	187.10	158.07
	2990	BUDGETARY CLEARING	Debit	-	-	-	-
Total AccountType: Net Asset or Fund Balance				(2,616.51)	2,803.61	187.10	-
Total FundNo: 42406, FundName: BUTTONWILLOW REC & PARK 08 BND							
				-	2,990.71	2,990.71	-
				-	2,990.71	2,990.71	-

Schedule of reconciliation of Net Pension Liability (continued)

Buttonwillow Recreation and Park District

Reporting Date for Employer under GAS 68	June 30, 2021	June 30, 2020
Measurement Date for Employer under GAS 68	June 30, 2020	June 30, 2019
Beginning Net Pension Liability	\$217,227	\$308,902
• Pension Expense	(31,380)	(33,865)
• Employer Contributions	(19,081)	(49,845)
• New Net Deferred Inflows/Outflows	16,413	2,830
• Change in Allocation of Prior Deferred Inflows/Outflows	22	(308)
• New Net Deferred Flows Due to Change in Proportion ¹	(48,452)	(53,834)
• Recognition of Prior Deferred Inflows/Outflows	(1,086)	(3,590)
• Recognition of Prior Deferred Flows Due to Change in Proportion ¹	<u>40,349</u>	<u>46,937</u>
Ending Net Pension Liability	\$174,012	\$217,227

¹ Includes differences between employer contributions and proportionate share of contributions.



February 22, 2022

Presiding Judge
Kern County Superior Court
1415 Truxtun Avenue, Suite 212

Re: Responses to 2021-2022 Grand Jury Report

To the Honorable Presiding Judge:

The Buttonwillow Recreation and Park District, ("District") has reviewed the 2021-2022 Grand Jury Report regarding the District titled "Dilemma versus Dream." A response to the Grand Jury's recommendations and findings was prepared by the Contract General Manager. In preparing these responses, the District considered factors such as the District's small size, budget and current practices.

The responses were presented to the Buttonwillow Recreation Board of Directors at a regularly noticed meeting on February 21, 2022 for final review and edits. The Board of Directors has approved the attached responses and authorized (see signature pages) the Contract General Manager to file them with the Kern County Superior Court.

Sincerely,

Les Clark III
Contract General Manager

cc. Foreperson, Kern County Grand Jury
Board of Directors, Buttonwillow Recreation and Park District

Buttonwillow Recreation & Park District response to Kern County Grand Jury- March 21, 2022

e-mail * mlucas@buttonwillowrpd.com * les@wsrpd.com

RESPONSE TO GRAND JURY REPORT
(Buttonwillow Recreation and Park District - Dilemma versus Dream)

PC 933.05

The governance of responses to Grand Jury Final Report is contained in Penal Code 933 and 933.05. Duly noted Buttonwillow Recreation & Park District’s response must be submitted within 90 days. Said report was made public on February 1, 2022. Therefore, it is noted that the response to the Kern County Grand Jury is to be submitted no later than May 11, 2022. Buttonwillow Recreation & Park District formulated and made final a response signed by the Board Chairman Andrew Houchin and voted unanimously 5-0 by the Board of Directors of Buttonwillow Recreation & Park District on Monday, March 21, 2022. Buttonwillow Board of Directors are duly elected members of the Board. Staff supported the Board of Directors and assisted in preparing the report.

Responses to:

PRESIDING JUDGE

Kern County Superior Court
1415 Truxtun Avenue, Suite 212
Bakersfield, CA 93301

FOREPERSON

Kern County Grand Jury
1415 Truxtun Avenue, Suite 600
Bakersfield, CA 93301

Report Title: Buttonwillow Recreation and Park District (Dilemma versus Dream) **Report Date:** March 21, 2022

Response by: Buttonwillow Board of Directors **Vote for authorization of response:** _____

Total number of pages: 6

Signed by: Andrew Houchin; Board President

X _____

COMMENTS:

The Buttonwillow Board of Directors, staff and member(s) thank the Kern County Grand Jury for the valuable input, careful findings and recommendations provided in your report. The information and passion you all have for your County is evident and appreciated. We look forward to implementing your suggestions and studying other options as it relates to any and all reported comments. Thank you for working with us for positive outcomes.

Findings:

I (we) agree with the findings numbered:

F1. F2. F3. F4. F8. F10. F11. F12.

I (we) disagree wholly or partially with the findings numbered:

F5. F6. F7. F9.

F5. The current debt service cost is more than the property tax revenue. This tax revenue will not be substantially increased in the foreseeable future.

Buttonwillow wholly disagrees with this finding. The history of the rise and fall of the oil industry and more importantly, property tax revenue, is unpredictable at best and generally is a forecast. 2022 is showing signs of growth with the price per barrel topping over one hundred dollars per barrel. History will repeat itself and it could be sooner rather than later. As for the debt service on the bond that was passed, it was a limited tax general obligation bond. In case of a limited tax General obligation bond, the municipalities (The County of Kern/Buttonwillow) are allowed to raise property taxes if it is essential to meet current debt obligations. The Buttonwillow Board of Directors believe this is safe now and in the future due to the aforementioned.

F6. The District will exhaust the reserve fund in about five years at the current rate of withdrawal.

Buttonwillow wholly disagrees with this finding. Buttonwillow is a proud community that rallies for support of the recreation district and we have a vast track record of community involvement that will continue to be involved in the success of the past well into the future. Buttonwillow staff and the Board of Directors will continue to develop a five-year Strategic Plan to ensure the viability (with community input) of its future.

F7. When the reserve funds are exhausted, the facilities will not be maintained, staff will be reduced and programs diminished. Such a loss would be detrimental to the community.

While we agree such a loss would be detrimental to the community (reserve funds exhausted), Buttonwillow disagrees that if such an event were to occur (we believe this will not happen) that the community, Board and partners would step up much like they already do (see F12). The community and other groups; Buttonwillow Chamber, The Buttonwillow Foundation, Buttonwillow School District, West Side Recreation & Park District, The Buttonwillow Board of Directors and the community abroad have a commitment to the Recreation District and will not allow it to suffer. (See R1 and the response)

F9. The District needs to increase revenue to continue the dream of bringing a high level of recreation to the area; a full-time General Manager would be an asset in accomplishing this task.

Buttonwillow agrees with the increase of revenue but unfortunately do not believe the community at large would be able to support this. Future partnerships with industry surrounding the area and continued support from the Foundation will continue to help offset lost revenue. An increase in the aforementioned can be sought after. We believe we cannot support a full-time general manger at this time and wholly disagree with this finding. Currently West Side Recreation & Park District has offered its full services – budget and finance, programming mentorship,

maintenance-irrigation and general manger services for a nominal fee to be paid to the organization. We feel this service has provided a great result and allows us to meet our demands as a Board of Directors, but more importantly the District. The financial burden of a general manger (full-time) would outweigh any potential benefits that it may provide.

Recommendations:

1. Recommendations numbered: R3. R6. R7. have been implemented in part or wholly. Please see below.
2. Recommendation numbered: R1. have not yet been implemented, but will be in the future:
 - R1. Timeframe of implementation and or action taken (August 2022).
3. Recommendations numbered: R5. R6. R7. require further analysis in part or wholly.
 - R5. Timeframe of study and or action taken (August 2022).
 - R6. Timeframe of study and or action taken (August 2022)
 - R7. Timeframe of study and or action taken (August 2022).
 - R2. Timeframe of implementation and or action taken (July 2022).
4. Recommendations numbered: R4. R2. respectfully cannot be implemented because they are not warranted and/or are not reasonable.

R1. The District should conduct a survey, schedule a town hall meeting, and ask the entire community what activities they would prefer before the next fiscal year. Informing the community of the financial situation should be done at this time. Adjusting the programs to fit the community could create better utilization of the facilities. (Findings 1, 2, 3, 4 and 8)

The Buttonwillow Board of Directors agrees with this recommendation. The recommendation has not yet been implemented but will in the future (no later than August 2022). Buttonwillow continues to hold meetings open to the public monthly and address any and all concerns and review pros/cons to potential new programs and or ideas. Buttonwillow Board of Directors plans on posting a “town hall/budget meeting” in July and finalize in August of 2022 (*new fiscal year 2022-2023*). Ideas that will be discussed are potential programs from staff, and surveys that will be available to the public on Facebook and will be mailed to homes within the sphere of influence. The transparency of the budgeting process is important as it relates to cost and the need for community involvement. Meetings currently are held the third Monday of every month unless there is a holiday, in which the meeting will still be held within the week.

R2. Within the next twelve months, the Board of Directors should seek advice from county officials about the possibility of seeking an additional parcel fee to be applied to the bond debt until retired. The proposal of the fee would require an extended time to bring before the constituents for a vote. Advice should be sought quickly to establish a plan, before the District has exhausted its Reserve Fund. (Findings 5, 6 and 7)

The Buttonwillow Board of Directors disagrees with this finding wholly due to the type of bond that was passed as explained on page 3/F5. In case of a General obligation bond, the municipalities are allowed to raise property taxes if it is essential to meet current debt obligations. There is no need to add an additional parcel fee to be applied to the bond debt. However, a meeting with the Kern County Supervisor that represents the Buttonwillow District will be set up before the end of the fiscal year (*July 2022*) to discuss potential opportunities and partnerships to help with the viability of the District. ***** Item for future agenda; discussion only April 2022.**

R3. The District should continuously seek to find other sources of revenue. Increasing fees for some programs will help. Other revenue sources could be selling refreshments at sporting activities, offering a Casino/Bingo night, or a meal in the evening for a reasonable cost using volunteers to assist. The community and District must think outside the box to avoid further financial instability. (Findings 8 and 9)

The recommendation has been implemented. Recommendation to continuously seek to find other sources of income is on-going. Recently members of the Buttonwillow Board of Directors attended Foundation meetings and attended events where money was raised and ultimately is earmarked for future Buttonwillow activities and facility needs. Ongoing activities will be looked into and are currently being researched for the future. Depending on the potential cost/benefit, the Board of Directors will explore and support its programming. We believe the response of R1 is closely related to the ongoing work that the Board and staff are committed to.

R4. Although it would increase the financial burden, the District, prior to establishing the fiscal year 2022-2023 budget, should establish a goal to find a qualified General Manager. Another alternative could be to offer to an in-house individual who would qualify if, at the District's expense, they agree to pursue the education required. They could also function as Interim General Manager with mentoring from other General Managers. (Findings 8 and 9)

The recommendation will not be implemented because it is not reasonable at this time. As stated above, the financial burden to the District would be too costly to add a full-time (qualified) General Manager for the 2022-2023 budget year or prior to. We believe West Side Recreation & Park District is providing more than adequate services to the Buttonwillow District and in addition is accomplishing the task of mentoring the current Recreation Supervisor as this person fulfills the day-to-day duties of the District.

R5. Before the higher energy usage season, the Board of Directors should inquire into the possibility of installing a solar system to help lower energy costs. Further research should also be conducted to seek a grant for such a project. (Finding 10)

The recommendation requires further analysis. West Side Recreation & Park District is currently conducting a study on solar with a company called ABM that will be shared with Buttonwillow. From there we will discuss potential (similar) opportunities and discuss at the town hall/budget meeting referred to in the response to R1. **(August 2022)**

R6. The District should, within 90 days, make the community aware of the major repair costs of the children’s wading pool. A community-minded company or individual could step forward to fund. The pool could then be named after the donor if desired.

The recommendation has been implemented and is on-going. Buttonwillow Recreation and Parks conducts monthly Board meeting and during these meeting items like the swimming pool are discussed and community input is always welcome. In addition, issues like the pool have been discussed with the Buttonwillow Foundation and other members of the community. We will continue to problem solve and hopefully gain the community’s support. *As it relates to the naming rights, this can and will be discussed at the meeting in August 2022. In addition, we will work on a plan on how to work on this recommendation/opportunity.*

R7. The District should, within 90 days, propose selling naming rights for the gymnasium or sports field, in consideration of an annual donation from a company or individual. Also, advertisement banners could be solicited from companies to be placed on the walls of the gymnasium with an annual donation. (Findings 8 and 9)

The recommendation has been implemented. Currently we have implemented annual donation banners on our baseball fence for each and every season. Adding sponsor banners for the gymnasium is a great recommendation and will be implemented for the next fiscal year. As for the naming rights of the gymnasium or a sports field we will explore this in our August budget/town hall meeting (August 2022).

Conclusion:

Once again, the Buttonwillow Board of Directors thanks the Kern County Grand Jury in your thorough recommendations and findings.

Sincerely,

Buttonwillow Board of Directors and Staff

Date: _____ Signed: _____

Name: Andrew Houchin

Position: Board Chairman

https://www.bakersfield.com/news/falling-oil-prices-threaten-buttonwillow-park-district-grand-jury-reports/article_658ba002-83b9-11ec-b969-c3727080c0c5.html

Falling oil prices threaten Buttonwillow park district, grand jury reports

By SAM MORGEN smorgen@bakersfield.com

Feb 1, 2022



Falling oil prices have threatened the financial security of a pristine recreation district near Bakersfield, the Kern County grand jury reported on Tuesday.

In 2008, the Buttonwillow Recreation and Park District took out a roughly \$4.9 million loan to construct new amenities for residents. The improvements included a new gym and swimming pool, but now the debt payments are proving to be unsustainable.

A drop in the price of oil since the loan was taken out has reduced the district's revenue. Since 2017, the district has operated at a loss, and a roughly \$400,000 reserve fund is in danger of being eliminated within five years.

"When the cost of a dream outstrips the revenue, you can find yourself in a dilemma; the same can happen to a government entity," the grand jury report reads. "Reduction of expenses has helped reduce the gap, however, the fact remains ... dilemma versus dream. Can the dilemma be solved?"

An agricultural community with 1,443 residents according to the last census, Buttonwillow nevertheless contains a well-regarded recreation district. In addition to a gym and pool, the loan financed the construction of a weight room, office space, softball field, soccer field and children's wading area.

The district refinanced the loan in 2017, bringing the monthly interest rates from 5 percent to 2.5 percent. Still, this fiscal year, the bond repayment is projected to take up around 77 percent of all the district's revenue. The district expects to operate at a \$95,557 loss this fiscal year, an increase from the \$79,011 the district lost the previous fiscal year.

But board chair Andrew Houchin said he is not losing sleep over the budget.

"There's really nothing to worry about," he said in an interview with The Californian. "When you're tied to oilfield and property tax stuff you are kind of used to this type of stuff, which is why we've been smart about setting stuff aside for rainy days."

In the boom and bust cycle of oil production, Houchin believes prices and property tax assessments will rise again soon enough.

"It's something that we've planned for. We knew that oil prices have been in the can for a while," he said. "It's something that we're not worried about because of the contingency plans."

The grand jury recommended the district seek advice about potentially instituting a parcel fee to help make up for lost revenue. Such a fee would need to be brought before voters. Other recommendations include installing solar panels to reduce energy costs and selling naming rights for the stadium.

The district's troubles could be seen as an unintended side effect on the state's oil policies. Under Gov. Gavin Newsom, state regulators have halted the permitting of new oil production, which Kern County officials say impacts the services that are paid for by taxes on the industry.

"Buttonwillow's board of directors understands they have a fiduciary duty and they are making sure on a monthly and daily basis that the future is going to be bright in Buttonwillow," said Les Clark, general manager for the West Side Recreation and Parks District, which manages the Buttonwillow district. "But obviously the community, and Kern County, needs to understand what the state of California is doing to the oil industries by not allowing our guys to drill. It effects special districts like Buttonwillow."

The board has not met to specifically address the problems highlighted in the report, but Clark added some of the questions posed by the grand jury had answers.

The district has 90 days to issue a formal response.

You can reach Sam Morgen at 661-395-7415. You may also follow him on Twitter @smorgenTBC.



KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Memorandum from the
Office of the Chief Operations Officer
Matthew Henry

Date: August 4, 2022
To: Trustees, Finance Committee
From: Matthew Henry, Chief Operations Officer 
Subject: **Request for Proposal – Other Audit Services**

To bolster efforts to accelerate the expansion of KCERA's internal audit and plan sponsor monitoring, staff has drafted a request for proposal (RFP) for other audit-related services. The services requested in this RFP are being brought to your committee for comment and approval. The attached document is the Nature of Services recommended for inclusion in the RFP. The list of services has been developed from risks identified by staff, by the Association of Public Pension Fund Auditors in their report *Operational Risks of Defined Benefit and Related Plans and Controls to Mitigate those Risks*, best practices, and peer organizations.

Upon approval of the recommended Nature of Services, the RFP would be issued. Responses to the RFP will then go through an evaluation committee appointed by the Chief Executive Officer, who will bring a recommendation to this committee. Once the committee has approved the recommendation, it would then go to the Board of Retirement for approval.

Therefore, it is recommended that the Finance Committee approve the services listed for inclusion in the RFP for Other Audit Services.

Nature of Services Required

A. General

Kern County Employees' Retirement Association (KCERA) is soliciting the services of qualified firms of certified public accountants to develop and perform audits for the risk identified by Auditor, KCERA Board, and staff. These audits are to be performed in accordance with the provisions contained in this request for proposal.

B. Scope of Work

KCERA requires the Auditor to perform compliance audits of plan sponsors' adherence to laws, regulations, MOUs, procedures, and other guidance. Additionally other internal audits that assist in verifying members' data prior to them coming in for retirement.

Auditor will prepare reports that include the following:

1. The scope and objectives of the audit.
2. Findings identified.
3. Recommendations and associated action plans.
4. Conclusions.
5. Other observations.

C. Audits Identified

1. Plan sponsor monitoring for compliance with laws, regulations, MOUs, procedures, and other guidance. Including but not limited to the following:
 - Internal control evaluation over payroll.
 - Risk assessments.
 - Agency maintains a Board approved salary schedule.
 - Use of appropriate contribution rates.
 - Use of KCERA Board-approved special pay codes.
 - Verify members are added to correct retirement Tier, date of birth is correct, date of hire is correct, and other personal information is correct.
 - Verification of approval of Post-Retirement Employment with KCERA.
 - Confirmation that all eligible employees are enrolled as members of KCERA.
 - Members are properly designated as either part-time or full-time.
 - Plan sponsors are reporting data for each pay-period including the following:

- Paid hours, excluding overtime, are being reported as service hours to KCERA.
- Pensionable earnings are coded appropriately.
- Annual payouts of paid leave do not exceed the pensionable amount in statute.
- Leaves are reported appropriately.
- Materials supporting retro pay, payroll corrections, and non-approved special pays are maintained and available if requested by KCERA.

2. Member audits of the following:

- Incoming and outgoing reciprocity establishment and processing.
- Verify pensionable compensation and compensation earnable.
- Interest posting to member accounts.
- Member data completeness including: confirmation of age of entry, 415 benefits compliance testing, divorce documents on file are reviewed by KCERA's legal team.
- Verify that all Five-Year and Thirty-Year stops are implemented correctly.

3. KCERA risk evaluation