

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

Juan Gonzalez, Chair
Tyler Whitezell, Vice-Chair
Jeanine Adams
David Couch
Phil Franey
Joseph D. Hughes
Jordan Kaufman
Rick Kratt
Traco Matthews
Dustin Contreras, Alternate
Chase Nunneley, Alternate
Robb Seibly, Alternate

March 24, 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 Wednesday, March 30, 2022 at 8:30 a.m. via teleconference pursuant to California Government Code section 54953, subdivision (e).

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# 818-9964-0882:

- (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/81899640882?pwd=TmJpQ1lPRE1NTE1ZL3FGS3VnbzlvZz09>
- Passcode: 182138

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

1. [Discussion and appropriate action regarding Supplemental Retiree Benefit Reserve \(SRBR\) structure options presented by Chief Executive Officer Dominic Brown, and KCERA Actuaries, Paul Angelo and Molly Calcagno, Segal – CONSIDER OPTIONS PRESENTED, RECOMMEND OPTION\(S\) TO BOARD OF RETIREMENT, AND DIRECT STAFF TO UPDATE SRBR POLICY TO REFLECT RECOMMENDED CHANGES; TAKE OTHER ACTION, AS APPROPRIATE](#)
2. [Exception report regarding the filing of Statements of Economic Interests Form 700 by Trustees for the 2020 reporting year – RECEIVE AND FILE; TAKE OTHER ACTION, AS APPROPRIATE](#)

PUBLIC COMMENTS

3. 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

4. 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.

5. Adjournment





Kern County Employees' Retirement Association

Supplemental Retiree Benefits Reserve (SRBR) Benefit Study

March 30, 2022

Paul Angelo, FSA / Molly Calcagno, ASA

| Topics for Today

Current SRBR Benefits

New SRBR Plan Design Alternatives

Current SRBR Benefits

- Tier 1 – Flat dollar benefit
 - \$35.50 per month payable to retirees who were hired on or before July 1, 1994
 - 60% continuance of the Tier 1 SRBR benefit to the retired member's beneficiary
- Tier 2 – Flat dollar benefit per year of service
 - Three additional monthly stipends payable to retirees:
 - \$1.372 per year of service for members who retired prior to 1985
 - \$5.470 per year of service for members who retired prior to 1985
 - \$10.276 per year of service for members who retired prior to 1981
 - 60% continuance of the Tier 2 SRBR benefit to the retired member's beneficiary

Current SRBR Benefits (continued)

- Tier 3 – Purchasing Power COLA
 - Additional benefits to maintain 82% purchasing power protection
 - Same continuance percentage as elected by members at retirement paid to the retired member's beneficiary
 - Maximum annual inflation used in the calculation of the SRBR Tier 3 benefits is capped at 4%
 - Purchasing power target was increased from 80% to 82% in 2018 along with introduction of the cap on inflation used in calculation

Current SRBR Benefits (continued)

- Tier 4 – Additional flat dollar benefit
 - \$21 per month payable to retirees who were hired prior to July 1, 2018
 - 60% continuance of the Tier 4 SRBR benefit to the retired member's beneficiary
 - Granted in 2018
- Death Benefit
 - Additional one-time post retirement death benefit of \$5,000 paid to the retired member's beneficiary upon the death of the retired member

New SRBR Plan Design Alternatives

- Segal has developed three dollar per year of service alternatives:
 - Alternative A: \$1.80 per year of service with a 2.5% COLA effective the later of July 1, 2021 (first increase applied at July 1, 2022) or the July 1 following the member's date of retirement
 - A member retiring on July 1, 2023 would have the same starting benefit as a person who retired on July 1, 2022 with the same years of service
 - However, the two members would have different benefits as of July 1, 2023
 - Alternative B: \$1.80 per year of service with a 2.5% COLA effective July 1, 2021 (first increase applied at July 1, 2022), independent of member's date of retirement
 - A member retiring on July 1, 2023 would have a different starting benefit (2.5% higher) than a person who retired on July 1, 2022 with the same years of service
 - However, the two members would have the same benefit as of July 1, 2023
 - Alternative C: \$1.50 per year of service with a 2.5% COLA effective July 1, 2021 (first increase applied at July 1, 2022), independent of member's date of retirement
 - Similar to Alternative B but has a funded ratio that matches Alternative A

New SRBR Plan Design Alternatives – Impact on PVB

	Baseline	A: 2.5% COLA from Retirement	B: 2.5% COLA from 2021	C: 2.5% COLA from 2021
		\$1.80 per year of service, indexed from date of retirement	\$1.80 per year of service, indexed from July 1, 2021	\$1.50 per year of service, Indexed from July 1, 2021
	Current SRBR <u>Benefits</u>	Floor amount for all members currently eligible for SRBR <u>benefits</u>	Floor amount for all members currently eligible for SRBR <u>benefits</u>	Floor amount for all members currently eligible for SRBR <u>benefits</u>
Total Present Value of Benefits (PVB)	\$81,655,000	\$112,263,000	\$119,695,000	\$112,300,000
Available SRBR Reserves	\$128,798,000	\$128,798,000	\$128,798,000	\$128,798,000
Funded Ratio (Total PVB)	157.7%	114.7%	107.6%	114.7%
Excess SRBR on PVB Basis	\$47,143,000	\$16,535,000	\$9,103,000	\$16,498,000
Increase in PVB due to Benefit Improvement		\$30,608,000	\$38,040,000	\$30,645,000

Note: All results are as of June 30, 2021.

New SRBR Plan Design Alternatives – Common Features

- New SRBR dollar per year of service benefit is assumed effective July 1, 2022 and will apply to members hired prior to that date.
 - This “hired prior to” date could eventually be pushed forward into the future to include additional members.
- New SRBR benefit is payable over the member’s lifetime with 60% continuing to the member’s beneficiary upon the death of the member.

New SRBR Plan Design Alternatives – Floor Amounts

- For all members and beneficiaries currently in pay status, the new SRBR benefit at July 1, 2022 will be compared to the total current SRBR benefits being paid to the member or beneficiary as of July 1, 2022 (“floor amount”).
 - Payees will receive the greater of the floor amount or the new SRBR benefit. The benefit payable (i.e., the greater of the two amounts) would be adjusted annually with COLAs.
 - Note this means for many members the current flat dollar SRBR benefits will now increase annually with COLAs.
 - Upon the death of the member, 60% of the greater of the floor amount adjusted with COLAs or the new SRBR benefit adjusted with COLAs will continue to the member’s beneficiary.

New SRBR Plan Design Alternatives – Other Features

- Similarly, for current deferred vested members and active members who are eligible for SRBR benefits, the new SRBR benefit will be compared to the total current SRBR benefits for which they are eligible (“floor amount”) beginning at their date of retirement.
- Death Benefit
 - Additional one-time post retirement death benefit of \$5,000 paid to the retired member’s beneficiary upon the death of the retired member
- Details of COLA (index, maximum, bank, etc.) would need to be discussed
- All SRBR benefits are non-vested and subject to Board discretion and the availability of funds in the SRBR

New SRBR Plan Design Alternatives – Example 1

- Example #1:

- Retiree with 10 years of service who retired on 7/1/1975, current monthly benefit as of 6/30/2021:

• Formula benefit with COLAs =	\$1,400.00
• SRBR1 (\$35.50) =	\$35.50
• SRBR2 $([\$1.372 + \$5.470 + \$10.276] * 10)$ =	\$171.18
• SRBR3 (82% purchasing power protection) =	\$791.73
• SRBR4 (\$21.00) =	\$21.00
• Total current monthly benefit =	\$2,419.41
• Total current monthly SRBR benefit =	\$1,019.41*

* This is the “floor amount”.

New SRBR Plan Design Alternatives – Example 1 (continued)

	Alternative A	Alternative B	Alternative C
Floor Amount	\$1,019.41	\$1,019.41	\$1,019.41
New SRBR Benefit	\$18.00	\$18.00	\$15.00
Maximum at 7/1/2021	\$1,019.41	\$1,019.41	\$1,019.41
Benefit Payable:			
7/1/2021	\$1,019.41	\$1,019.41	\$1,019.41
7/1/2022	\$1,044.90	\$1,044.90	\$1,044.90
7/1/2023	\$1,071.02	\$1,071.02	\$1,071.02
7/1/2024	\$1,097.79	\$1,097.79	\$1,097.79
...

- Under Alternatives A, B and C, this retiree would receive the floor amount adjusted annually with COLAs.

New SRBR Plan Design Alternatives – Example 2

- Example #2:

- Active member with 5 years of service as of 6/30/2021:

- SRBR1 (not eligible) = \$0.00
- SRBR2 (not eligible) = \$0.00
- SRBR3 (not eligible) = \$0.00
- SRBR4 (\$21.00) = \$21.00
- Amount of monthly SRBR benefits the member is eligible for = **\$21.00***

* This is the “floor amount”.

- Assume member retires on 7/1/2026 with 10 years of service.

New SRBR Plan Design Alternatives – Example 2 (continued)

	Alternative A	Alternative B	Alternative C
Floor Amount	\$21.00	\$21.00	\$21.00
New SRBR Benefit at Retirement	\$18.00	\$20.37	\$16.97
Maximum at 7/1/2026	\$21.00	\$21.00	\$21.00
Benefit Payable:			
7/1/2026	\$21.00	\$21.00	\$21.00
7/1/2027	\$21.53	\$21.53	\$21.53
7/1/2028	\$22.06	\$22.06	\$22.06
7/1/2029	\$22.61	\$22.61	\$22.61
...

- Under Alternatives A, B and C, this member would receive the floor amount adjusted annually with COLAs.

New SRBR Plan Design Alternatives – Example 3

- Example #3:
 - Active member with 2 years of service as of 6/30/2021:
 - SRBR1 (not eligible) = \$0.00
 - SRBR2 (not eligible) = \$0.00
 - SRBR3 (not eligible) = \$0.00
 - SRBR4 (not eligible) = \$0.00
 - Amount of monthly SRBR benefits the member is eligible for = **\$0.00***

* This is the “floor amount”.

- Assume member retires on 7/1/2029 with 10 years of service.

New SRBR Plan Design Alternatives – Example 3 (continued)

	Alternative A	Alternative B	Alternative C
Floor Amount	\$0.00	\$0.00	\$0.00
New SRBR Benefit at Retirement	\$18.00	\$21.93	\$18.28
Maximum at 7/1/2029	\$18.00	\$21.93	\$18.28
Benefit Payable:			
7/1/2029	\$18.00	\$21.93	\$18.28
7/1/2030	\$18.45	\$22.48	\$18.73
7/1/2031	\$18.91	\$23.04	\$19.20
7/1/2032	\$19.38	\$23.62	\$19.68
...

- Under Alternatives A, B and C, member would receive new SRBR benefit immediately at retirement.
- \$21.93 is \$18.00 increased by 2.5% COLA for 8 years.
- \$18.28 is \$15.00 increased by 2.5% COLA for 8 years.

New SRBR Plan Design Alternatives – Example 4

- Example #4:

- Active member with 1 year of service as of 6/30/2021:

- SRBR1 (not eligible) = \$0.00
- SRBR2 (not eligible) = \$0.00
- SRBR3 (not eligible) = \$0.00
- SRBR4 (not eligible) = \$0.00
- Amount of monthly SRBR benefits the member is eligible for = **\$0.00***

* This is the “floor amount”.

- Assume member retires on 7/1/2030 with 10 years of service.

New SRBR Plan Design Alternatives – Example 4 (continued)

	Alternative A	Alternative B	Alternative C
Floor Amount	\$0.00	\$0.00	\$0.00
New SRBR Benefit at Retirement	\$18.00	\$22.48	\$18.73
Maximum at 7/1/2030	\$18.00	\$22.48	\$18.73
Benefit Payable:			
7/1/2030	\$18.00	\$22.48	\$18.73
7/1/2031	\$18.45	\$23.04	\$19.20
7/1/2032	\$18.91	\$23.62	\$19.68
7/1/2033	\$19.38	\$24.21	\$20.17
...

- Under Alternatives A, B and C, member would receive new SRBR benefit immediately at retirement.
- \$22.48 is \$18.00 increased by 2.5% COLA for 9 years.
- \$18.73 is \$15.00 increased by 2.5% COLA for 9 years.

New SRBR Plan Design Alternatives – Potential Future Events

- New money allocated to the SRBR from future excess earnings
 - Could push forward “hired on or before” date to include additional members
- Funded ratio of the SRBR plan drops below 100% (or alternative threshold)
 - Could suspend granting future COLAs
 - Could roll-back COLAs already granted
 - Both subject to legal review
- Funded ratio of the SRBR exceeds 120% (or alternative threshold)
 - Could push forward “hired on or before” date to include additional members
 - Could grant higher ad-hoc COLA
 - Could increase \$5,000 death benefit

New SRBR Plan Design Alternatives – Certification

- The results shown are based on the June 30, 2021 valuation and were prepared in accordance with generally accepted actuarial principles and practices at the request of KCERA. The actuarial calculations were completed under the supervision of Molly Calcagno, ASA, MAAA, Enrolled Actuary, who is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Questions?





KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Memorandum from the
Office of the Chief Legal Officer
Jennifer Esquivel Zahry

Date: March 30, 2022
To: Trustees, Finance Committee
From: Jennifer Esquivel Zahry, Chief Legal Officer 
Subject: **Exception Report – Filing of Statements of Economic Interests Form 700 by Trustees**

In accordance with the Finance Committee Charter, the Finance Committee shall receive exception reports from the Chief Legal Officer regarding the filing of Statements of Economic Interests by trustees and shall advise the Board accordingly.

Below are the exceptions regarding filings of Statements of Economic Interests Form 700 by Trustees for the 2020 reporting year (administered in 2021):

Trustee Name	Due Date	Date Received	Days Late	Non-Filer
Edward Robinson	4/1/2021	4/6/2021	5	N/A
Robb Seibly	4/1/2021	4/9/2021	8	N/A
Lauren Skidmore	4/1/2021	4/14/2021	13	N/A