



Retirement Chronicles

A quarterly publication of the Kern County Employees' Retirement Association

News & Views

April 2014

A Closer Look at Retirees

"A picture is worth a thousand words," the saying goes.

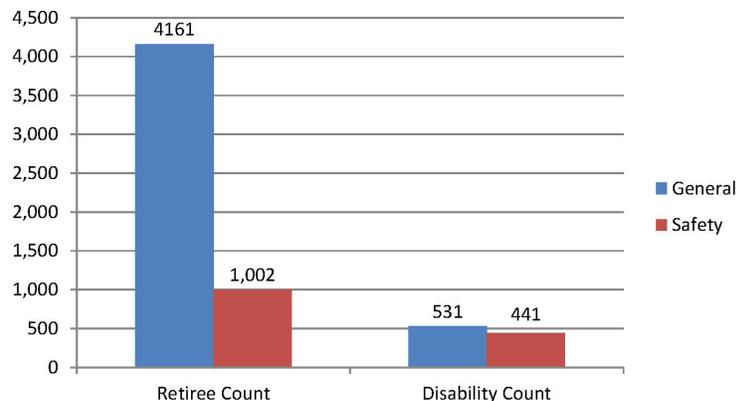
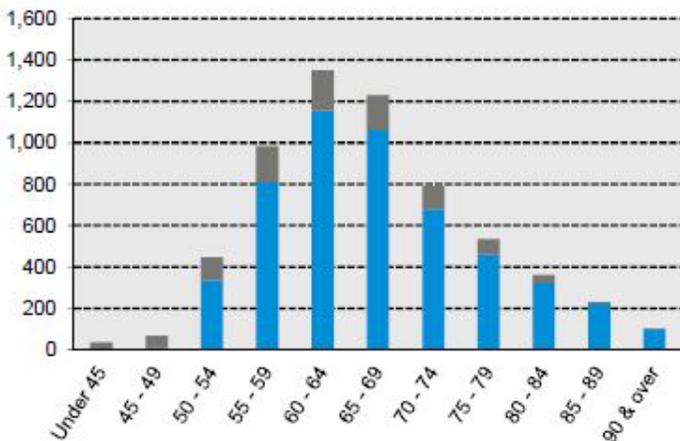
With the goal of saying more with less, this edition of the *Retirement Chronicles* will include several charts and graphs that illustrate various aspects of the KCERA membership—with limited editorial comment. The data points provided below are as of June 30, 2013, the effective date of KCERA's last actuarial valuation.

Kicking off the parade of charts is one showing the distribution of current KCERA retirees by age and retirement type. (Service retirements are in blue; disability retirements are in gray.) The reason for so many "younger" retirees in the graph is that KCERA retired more than 2,000 members in the last five years!

After a retiree dies, a beneficiary (e.g., spouse) may receive a continuance of the member's monthly benefit. KCERA has 1,036 beneficiaries on retiree payroll with an average age of 74. The beneficiaries of safety retirees have an average age of 69.

In terms of income, KCERA retirees receive an average of \$2,721 per month, resulting in an annual retiree payroll of \$239 million—a number that increases every year.

The following chart breaks down service retirements and disability retirements by membership type. Any eligible member may apply for a service retirement, but disability retirements must be approved by the Board of Retirement. (The "General" category includes general member retirees of the county, courts and special districts.)



(continued on page 4)

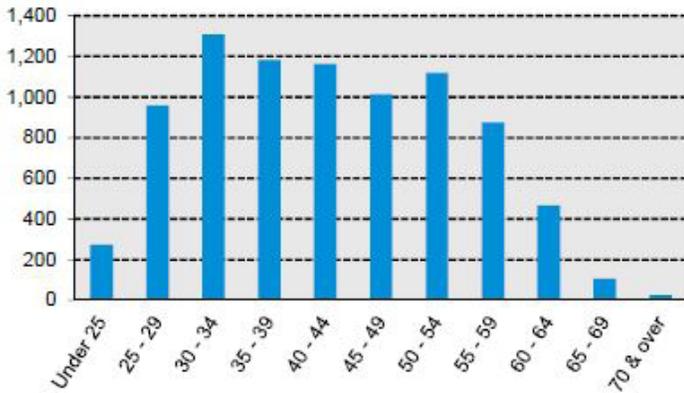
**INSIDE
This Issue**

Page 1 A Closer Look at Retirees
Page 2 A Closer Look at Actives
FAQ: Naming a Beneficiary

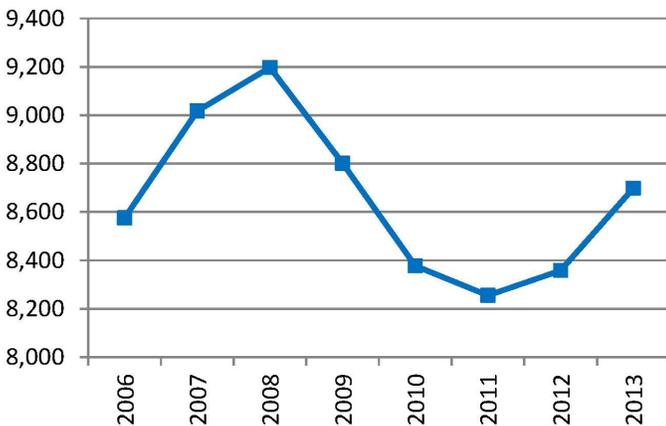
Page 3 Historical Investment Returns
Retiree News: 2014 COLA
Page 4 A More Personal POS Process

A Closer Look at Actives

In keeping with the graphical theme of this newsletter edition, here is a chart showing the distribution of KCERA's active population by age. As of the June 30, 2013 actuarial valuation, there were 8,485 active members with an average age of 42.9.

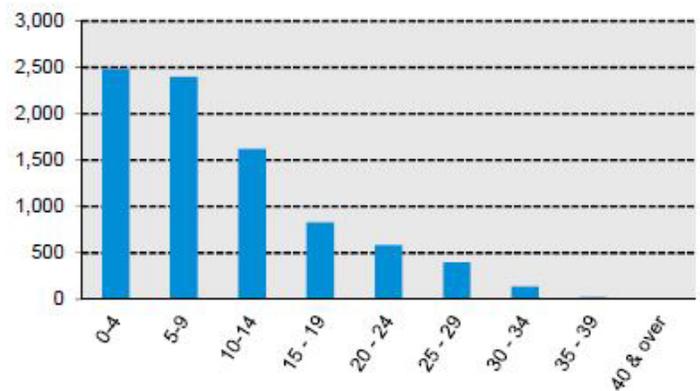


You will notice in the next graph that, after hitting a peak in calendar year 2008, the number of active members declined sharply. Numerous employees



retiring from the workforce also contributed to the decrease. But as the economy has improved in recent years, the active member population has likewise increased.

The chart below shows the distribution of active members by years of service. You will notice the majority has been hired in the last decade. In fact, the average number of years of service earned by active members is 10.2 years.



For a more detailed look into KCERA's membership data, please visit www.kcera.org and peruse the 2013 actuarial valuation. Each year, KCERA's actuary conducts an in-depth analysis of all of the factors used to value the Plan and its liabilities. As these data points change over time due to membership trends, the actuary can recommend changes to KCERA's underlying demographic assumptions.

faq

Does it matter who I name as my beneficiary?

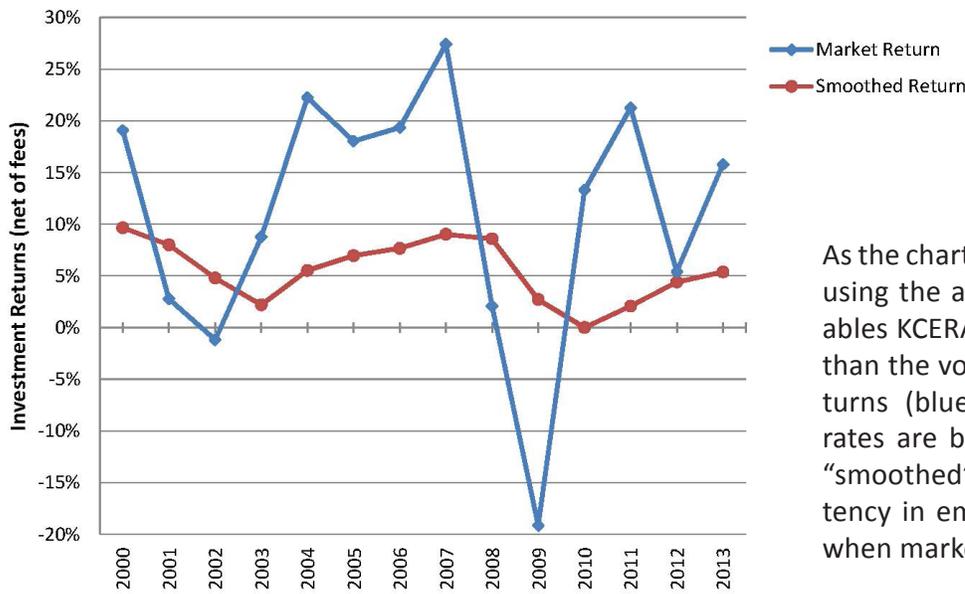
A. Yes! Your beneficiary is the person you designate to receive certain benefits in the event of your death. The type and amount of benefit payments vary, depending on whether you die as an active, deferred or retired member. In any case, it is critical that you name your spouse or domestic partner if you have one. Otherwise, you may

designate anyone with an insurable interest in your life. If you need to update your beneficiary due to marriage, divorce, address change or death, please complete and return a Beneficiary Designation Form, which is available at www.kcera.org or in the KCERA office. To learn more about death benefits, please contact KCERA.

Historical Investment Returns

The Board of Retirement is responsible for ensuring adequate funding of the retirement benefits for all vested members. To accomplish this goal, the Board relies on three funding sources: employer contributions, employee contributions and investment returns. Investment returns contribute to the well-being of the Fund and help pay for present and future pension obligations.

Below is a chart tracking KCERA's investment returns from fiscal years 2000 to 2013. The blue line represents actual market performance from year to year. The red line represents the "five-year smoothed asset valuation method"; KCERA's actuary looks at market returns from the preceding five years in order to calculate a "smoothed" rate of return.



As the chart illustrates, valuing investment returns using the asset-smoothing method (red line) enables KCERA to focus on long-term returns rather than the volatility seen in year-to-year market returns (blue line). Because employer contribution rates are based, in part, on investment returns, "smoothed" returns also allow for greater consistency in employer contribution rates—especially when market returns are volatile.

UPCOMING EVENTS

Board of Retirement Meetings

April 9
May 7

June 11
July 9

Investment/Regular Board meetings are scheduled on the second Wednesday of each month at 8:30 a.m.

The public is invited to attend. Board meeting agendas are available at www.kcera.org.

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

2014 COLA

The annual cost-of-living adjustment (COLA) that KCERA retirees and beneficiaries are eligible to receive each April is based on the change in the region's average Consumer Price Index (CPI) from the previous year—rounded to the nearest 0.5%. Last year's change was reported as 1.1%.

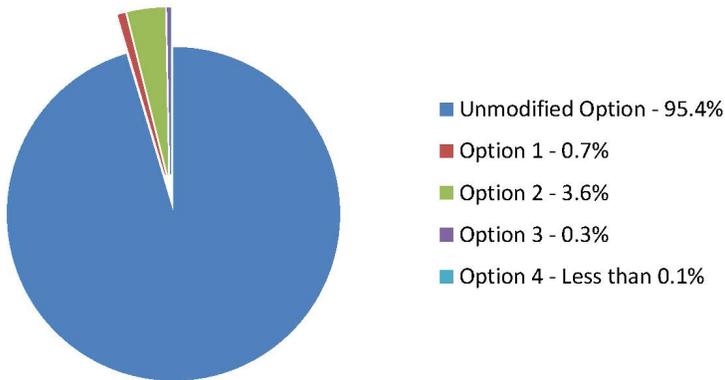
With their "COLA bank" reserves accrued from prior years, retirees and beneficiaries who retired on or before April 1, 2005 will receive the full 2.5% COLA this year. Members who retired between April 2, 2005 and April 1, 2006 will receive a 1.5% COLA. Members who retired on or after April 2, 2006 will receive a 1.0% COLA. Visit www.kcera.org to learn more about how the COLA bank works.

Retiree News

A Closer Look at Retirees

(continued from page 1)

At retirement, a member will elect one of five retirement allowance options. As you can see in the next graph, nearly all current retirees elected the Unmodified Option, which pays the highest monthly allowance along with a sixty percent continuance to the surviving spouse.



A more *personal* POS process

KCERA has modified its purchase of service (POS) estimate process. After you submit an estimate request form and KCERA performs the calculation, you will receive a *phone call* from KCERA to discuss your cost and payment options. Members who are ready to buy the service time will have 60 days to complete their purchase.



What's on Your Mind?

If you have a suggestion for a future edition of *The Retirement Chronicles*, email your thoughts to newsletter@kcera.org. Thanks!

2014 BOARD of RETIREMENT

Michael Turnipseed, *Chair*
Dominic Brown, *Vice-Chair*
David Couch
Jackie Denney
Dustin Dodgin
Phil Franey
Bob Jefferson
Rick Kratt
Gayland Smith
Russell Albro, *Alternate*
John DeMario, *Alternate*

CONTACT US

Kern County Employees' Retirement Association
11125 River Run Blvd. Bakersfield, CA 93311
Ph: (661) 381-7700 / Toll Free: (877) 733-6831
Fax: (661) 381-7799 / Web: www.kcera.org