

Executive Team:

Dominic D. Brown, CPA, CFE
Chief Executive Officer

Daryn Miller, CFA
Chief Investment Officer

Jennifer Zahry, JD
Chief Legal Officer

Matthew Henry, CFE
Chief Operations Officer



Board of Retirement:

David Couch, Chair
Dustin Contreras, Vice-Chair
Phil Franey
Ajaib Gill
Joseph D. Hughes
Jordan Kaufman
Rick Kratt
John Sanders
Tyler Whitezell
Chase Nunneley, Alternate
Robb Seibly, Alternate
3rd Member (Vacant)

October 10, 2025

Trustees, Board of Retirement
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, October 16, 2025, immediately following the Special Board of Retirement meeting in the KCERA Boardroom, 11125 River Run Boulevard, Bakersfield, California, 93311.

How to Participate: Listen to or View the Board Meeting

To listen to the live audio of the Board meeting, please dial one of the following numbers and enter ID# 821 5900 9712:

- (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/82159009712?pwd=sUgJnSbbcXI9HAAOU2yKruJprOoNVr.1>
- Passcode: 587250

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

Sincerely,

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

Dominic D. Brown
Chief Executive Officer

Attachments

AGENDA:

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

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

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

CALL TO ORDER

ROLL CALL (IN PERSON)

AB 2449 REMOTE APPEARANCE(S)

Items 1 and/or 2 withdrawn from agenda if no trustee(s) request to appear remotely:

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

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.

MATTERS FOR CONSIDERATION

4. [Response to referral regarding evaluation of KCERA's Normal Retirement Age](#) presented by Chief Legal Officer Jennifer Zahry – RECOMMEND BOARD OF RETIREMENT ADOPT NORMAL RETIREMENT AGES PROPOSED BY STAFF
5. [Presentation and discussion of the internal and plan sponsor audit plan for the fiscal year 2025-26](#), presented by Chief Operations Officer Matt Henry and Deputy Director of Compliance Tarrah Shockley – APPROVE

REFERRALS TO STAFF, ANNOUNCEMENTS, OR REPORTS

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



Assessing KCERA's Normal Retirement Age

Jennifer Zahry, Chief Legal Officer

Response to Referral

- CEO – One of the Three Opportunities
- Direction from BOR: Staff to review Normal Retirement Age and present Finance Committee with findings and recommended action.
- Findings and Recommendation: Staff recommends new NRAs be adopted.

Topics to Cover

- Normal Retirement Age Explained
- KCERA's Adoption of Normal Retirement Age
- IRS Guidance Evolved
- KCERA's Retirement Ages Revisited
- Recommendations

Explaining NRA

KCERA Model Tax Regulations 401(a)(36):

Section I. “The Association may establish any reasonable procedures for determining and applying the normal retirement age requirements that it deems necessary or desirable for complying with applicable tax laws or for administrative purposes.”

Explaining NRA

- Normal Retirement Age (“NRA”) is one of the regulations the IRS requires public pension plans to follow to retain their tax qualified status.
 - NRA is NOT the age at which KCERA members are permitted to retire.
- A Qualified Plan may permit in-service distributions at “Normal Retirement Age”.
 - “In Service Distribution” is a distribution that can occur w/o a bona fide break in service. Only allowed in two situations under PEPRA:
 - Employer certification of critical need to return before 180 days from retirement
 - Public safety officer or firefighter hired to perform function regularly performed by fire/public safety who returns before 180 days from retirement

KCERA's Adoption of NRA

- Why did KCERA established an NRA?
 - 2006 – IRS issued final regulations defining normal retirement age applicable to private sector pension plans
 - Tax exemption offered for safety who reached NRA
 - To avoid jeopardizing tax qualified status by violating “in service distribution” rules

KCERA's Adoption of NRA

- 2008 – KCERA adopted Resolution 2008-07
 - Resolution established NRA for KCERA members
 - Based on tax advice and actuarial calculations
 - NRA 51 (safety)
 - NRA 53 (general)

IRS Guidance Evolves

- 1/27/16 IRS and Treasury Department – issued “Proposed Regulations”
 - For plans allowing in-service distributions (like KCERA)
 - “Reasonably representative” requirement
 - Requirement can be satisfied by using any Safe Harbor NRA set forth in the Proposed Regulations

IRS Guidance Evolves

General Safe Harbors

- 60 w/ 5 years of service
- 55 w/ 10 years of service
- Combined age and service of 80 or more
- Any age above w/ 25 years of service

“Qualified Public Safety Employee” (Fire and Sheriff only) Safe Harbors

- 50
- Combined age and years of service of 70 or more
- Any age w/ 20 years of service

Retirement Ages Revisited

Average Actual Retirement Age for Tier I Retirees (Six Years)

Group	Number of Retirees	Average Actual Retirement Age
General Tier I	893	60.2
Safety Tier I (District Attorney)	8	55.4
Safety Tier I (Probation)	91	53.0
Safety Tier I (all other)	247	52.4



Member Type	Recommended NRA
Proposed Updated NRA	
General Members and DA Investigators All Tiers (safe harbor)	55 + 10 years
Qualified Safety All Tiers (safe harbor options)	Earlier of 50 + 10 yrs or 20 yrs
Probation – All Tiers (reasonably representative average retirement age)	53 + 10 years
Current KCERA NRA	
General Members	53
Safety Members	51

Via Email

October 8, 2025

Mr. Dominic Brown
Chief Executive Officer
11125 River Run Boulevard
Bakersfield, CA 93311**Re: Kern County Employees' Retirement Association (KCERA)
Average Retirement Ages**

Dear Dominic:

As you requested, we have provided in this letter the average retirement age for General Tier I and Safety Tier I retirees receiving service retirement benefits for retirements between July 1, 2022 and June 30, 2025. In addition, we have provided the average expected retirement age¹ for Tier II and Tier III active members included in the data provided for the June 30, 2025 Actuarial Valuation and Review. We understand that this information may be used by the Association in the selection of the normal retirement age (NRA) for IRS purposes.

Analysis

The following table provides the average retirement age for Tier I retirees receiving service retirement benefits for retirements between July 1, 2022 and June 30, 2025. Note that we have only included members who service retired from active status during that time period. For Safety Tier I retirees, we have calculated separate average retirement ages for District Attorney (identified with department code 2180S), Probation (identified with department code 2340S²), and all other Safety members.

Average Actual Retirement Age for Tier I Retirees (Three Years)

Group	Number of Retirees	Average Actual Retirement Age
General Tier I	371	60.6
Safety Tier I (District Attorney)	3	50.2
Safety Tier I (Probation)	47	52.2
Safety Tier I (all other)	106	51.9

¹ Tiers II and III have less retirement experience, so it was determined that expected retirements would be more appropriate to look at than actual retirements.

² Includes one retiree with department code 2340 in the retiree data file. This member had a department code 2340S in the active data file in the valuation immediately preceding their retirement.

The following table provides the average retirement age for Tier I retirees receiving service retirement benefits for retirements between July 1, 2019 and June 30, 2025.

Average Actual Retirement Age for Tier I Retirees (Six Years)

Group	Number of Retirees	Average Actual Retirement Age
General Tier I	893	60.2
Safety Tier I (District Attorney)	8	55.4
Safety Tier I (Probation)	91	53.0
Safety Tier I (all other)	247	52.4

Finally, the following table provides the average expected retirement age for Tier II and Tier III active members included in the data provided for the June 30, 2025 Actuarial Valuation and Review. For Safety Tier II, we have calculated separate average expected retirement ages for District Attorney (identified with department code 2180S), Probation (identified with department code 2340S), and all other Safety members. The expected retirement age is calculated by applying the retirement rates used in that valuation to the individual members and determining the average age each member is expected to retire. An average age for all members is calculated using the expected retirement ages for the individual members.

Average Expected Retirement Age for Tier II and Tier III Actives

Group	Number of Actives	Average Expected Retirement Age
General Tier II	7,030	61.4
General Tier III	N/A	61.6 ³
Safety Tier II (District Attorney)	15	62.3
Safety Tier II (Probation)	281	58.2
Safety Tier II (all other)	893	58.1

We understand staff and the Board will be reviewing this information and making a decision regarding the definition of NRA. We are not lawyers or tax counsel and are not qualified to provide legal or tax advice.

Other considerations

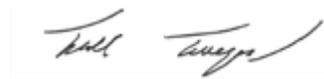
We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

³ The average expected retirement age for General Tier III is based on applying the General Tier III assumptions to the four active members at West Side Recreation and Park. The four active members are enrolled in General Tier I, however, since West Side Recreation and Park is the only District that adopted General Tier III, we have used the demographics of their active members to determine the average expected retirement age for General Tier III.

This document has been prepared for the exclusive use and benefit of the Board, based upon information provided by the staff of KCERA. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. This document should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

Please let us know if you have any questions.

Sincerely,



Todd Tauzer, FSA, MAAA, FCA, CERA
Senior Vice President and Actuary



Molly Calcagno, ASA, MAAA, EA
Senior Actuary

/bbf

cc: Jennifer Zahry



KERN COUNTY
EMPLOYEES' RETIREMENT
ASSOCIATION

Audit & Compliance Plan

Presented by:

Tarrah Shockley, CFE

Deputy Director of Compliance

01



Risk Assessment

02



Audit Plan

Risk Assessment

- Purpose
 - Identify
 - Evaluate
 - Control



Risk Assessment Procedures



- Define the Audit Universe
- Management Questionnaire and Risk Rating
- Evaluate the Results
- Develop the Audit Plan

Risk Assessment



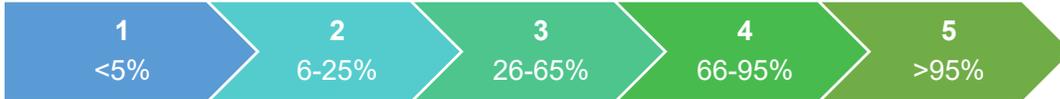
Examples of Key Work Activities (Critical Tasks)

- Member Enrollment Processing
- Member Active Payroll Posting
- Domestic Relations Order Benefit Calculations
- Service Purchase Processing
- Reciprocity Establishment and Processing
- Disability Claim Processing
- Retiree Payroll Processing

Risk Assessment

Measuring Risk Factors

Likelihood



- **Complexity** – What is the *likelihood* of something going wrong due to the complexity?
- **Change** – What is the *likelihood* of something going wrong due to a change in process or personnel?
- **Controls** – What is the *likelihood* of something going wrong due to lack of controls?

Impact



- **Materiality/Fiscal Impact** – What is the dollar *impact* if something were to go wrong?
- **Operational impact** – How significant would KCERA be *impacted* if something were to go wrong?
- **Reputation** – How would KCERA's reputation be *impacted* if something were to go wrong?



Results & Audit Plan Development



- Combine results and analyze the data
- Controls in place to mitigate risks
- Ongoing discussions with management and staff
- Prior audit engagements
- Relevant or current events
- Resource constraints



Audit Plan

Audits Identified

- Plan sponsors are adhering to KCERA's post-retirement employment policy
- Scheduled full-time working reduced hours analysis
- Proper implementation of the 30-year 2% benefit
- Plan sponsors are using board approved salary schedules
- Contributions are being remitted timely by plan sponsors
- Verification of member enrollment
- Internal control questionnaire for plan sponsors



QUESTIONS?

