



Retirement Chronicles

A quarterly publication of the Kern County Employees' Retirement Association

News & Views

JULY 2012

Eye on the Market: Investment Officer Update

He spends hours each day combing through numbers, charts and footnotes. When not deep in study, he is talking with investment managers and attorneys. His objective: to understand the nuances of KCERA's diverse investments and the general market environment so he can effectively advise the Board of Retirement in its investment decision-making.

Pete Tirp, KCERA's chief investment officer, joined KCERA in September 2011 after a nationwide recruitment effort in search of an in-house expert to oversee KCERA's \$2.8 billion pension fund. His hire was the first of its kind at KCERA because, until then, the Board relied exclusively on external investment consultants.

"The Board made a conscious decision to establish a dedicated investment officer position focused solely on KCERA assets to take the lead role in due diligence, risk management and manager oversight," explained Executive Director Anne Holdren. "Since joining the staff, Mr. Tirp has done just that in partnership with Wurts & Associates, KCERA's investment consultant."

Under his leadership over the past year, KCERA has aggressively negotiated fee reductions with

managers, which could save millions of dollars annually. He has been very busy working in tandem with Wurts to transition into less-expensive alternative investments and to hire a hedge fund consultant and new emerging market debt managers. Currently, a search for a new commodity manager is underway.

"The Board is obviously pleased with the cost reductions," said Board Chairman Jeff Frapwell. "These and other changes will benefit our members through the preservation and growth of KCERA's assets."

What does the future hold for KCERA's investments? No one knows for sure, but Mr. Tirp foresees a period of continued volatility due to consumer-led deleveraging and macroeconomic troubles in Europe. A prudent strategy is needed in this environment, he believes.

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3 BOARD SEATS UP FOR ELECTION

- 2nd Member (*general*)
- 7th Member (*safety*)
- 7th Member Alternate (*safety*)

An election will be held on November 20 to fill three seats on KCERA's Board of Retirement. The available positions are the *Second Member* seat, elected by general members, and the *Seventh Member* and *Seventh Member Alternate* seats, elected by safety members.

Those elected will serve on the Board of Retirement for a three-year term starting on January 1, 2013. The trustees whose terms are ending include Jeff Frapwell (Second Member), Mark Ratekin (Seventh Member)

and Bart Camps (Seventh Member Alternate). These trustees are able to run for reelection.

All KCERA members eligible to vote in this election will receive information, including how to file as a candidate, from the County Clerk-Elections Division approximately 60 days before the election.

Additional information about the Board of Retirement can be found at www.kcera.org.

DIRECT DEPOSIT FOR ALL ... coming soon!

KCERA will be phasing out its practice of issuing paper warrants (checks) to retirees. The target effective date is January 31, 2013, and KCERA retirees who receive a paper warrant are strongly encouraged to convert to "direct deposit" before then.

Although new KCERA retirees must sign up for direct deposit at retirement, there are still about 300 retirees who are mailed printed checks every month. But those days are numbered—literally.

Like Social Security, which is also "going paperless" in 2013, KCERA is converting to the safety, efficiency and reliability of electronic payment. If you currently receive paper checks from KCERA (or know someone who does), please contact our office at (661) 381-7700 to make the switch. Thank you!



faq

After I retire, will my beneficiary receive benefits when I die?

A. The person designated as your primary beneficiary is entitled to a monthly benefit or a lump-sum payment, depending on the retirement allowance option you selected at retirement. For example, your spouse would receive a continuance of your monthly pension if you chose the Unmodified

Option or Option 2. In addition, if your last active service was with a KCERA plan sponsor, a lump sum death benefit of \$3,000 will be paid to your beneficiary or estate. Please complete a *Beneficiary Designation Form* at www.kcera.org to update your beneficiary information.

What makes your DB plan *unique?*

KCERA is considered a *defined benefit* (DB) plan by the Internal Revenue Service. Like Social Security, it has several unique characteristics that make it extremely valuable to people preparing for retirement. A third source of retirement income is a *defined contribution* plan, such as the Kern County 457 Deferred Compensation Plan. Together, they represent the “three-legged stool” in retirement planning as the typical primary sources of income.

A DB plan promises its members a lifetime retirement benefit (“pension”) based on years of service, age at retirement and final average compensation. Generally, increasing any of these factors increases the benefit amount. Disability benefits are also offered by a DB plan to members who have been permanently incapacitated from performing their normal duties.

Here are a few more features that make KCERA’s defined benefit plan unique:

Financial Security. Upon retirement, members receive a specific amount every month for the rest of their lives. Eligible beneficiaries can also receive a lifetime continuance.

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UPCOMING EVENTS

Board of Retirement Meetings

August 8
September 12
October 10

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.



Retiree News

SRBR 3 Benefit *Unchanged*

The Supplemental Retiree Benefit Reserve 3 (SRBR 3) is a non-vested, supplemental benefit that provides 80% purchasing power protection for KCERA retirees and beneficiaries.

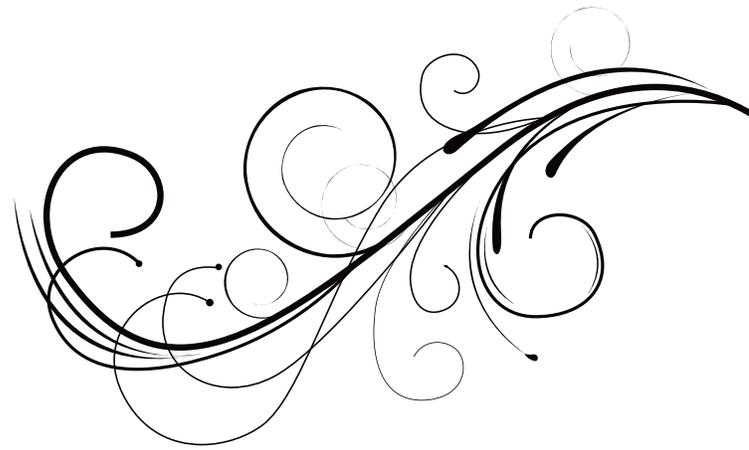
Since all retirees received the full 2.5% COLA in April 2012, their current benefit retains at least 80% of its original purchasing power, with a few exceptions. *Therefore, most KCERA retirees will not see an increase in their SRBR 3 benefit in July 2012.* Notifications to recipients of a SRBR 3 increase were mailed on July 24.

Investment Officer Update

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“KCERA must regularly assess the potential impact of various scenarios on its portfolio and make adjustments to improve long-term, risk-adjusted returns.”

It is a challenging job fraught with complexity and detail, but the new chief investment officer is doing his part to benefit KCERA’s finances and funding. “We’ve made some positive changes in the last year,” Mr. Tirp said. “I am honored to be part of it.”



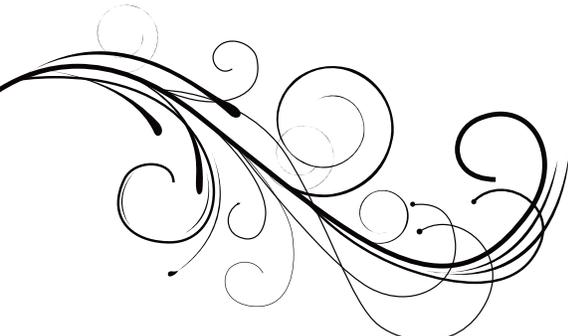
Defined Benefit Plan

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Inflation Protection. A cost-of-living adjustment (COLA) is applied to benefits each April, depending on the region’s consumer price index. KCERA’s annual COLA (up to 2.5%) protects benefits from rising inflation.

Professional Management. DB plan investments are managed by industry experts, not individual plan participants.

Survivor Benefits. Several death benefit options exist for eligible beneficiaries, including lifetime continuances and lump-sum payments.



BOARD OF RETIREMENT

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

So...

WHAT DO YOU THINK about
the *Retirement Chronicles*’ new look?
Let us know at newsletter@kcera.org.

CONTACT US

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