



# The Retirement CHRONICLES

A quarterly publication of the Kern County Employees' Retirement Association

## KCERA PREPARING for NEW RESIDENCE

In 2008, KCERA purchased property near Stockdale Highway and Buena Vista Road to build its new administrative headquarters. KCERA has outgrown its current space and looks forward to making an investment in our local economy and, most importantly, offering our members better service in a facility that accommodates KCERA's space needs both now and in the foreseeable future.



## ... and INVESTMENT in LOCAL ECONOMY & FUTURE

### The Process

KCERA has occupied cramped quarters in the County Administrative Building since 1999. Lack of space has had some impact on KCERA's ability to satisfy critical operational requirements of managing a \$2.4 billion fund and administering complex benefits for a growing number of members.

In 2006, recognizing that space limitations were becoming an obstacle to the efficient administration of the pension system, the KCERA Board retained a real estate advisor to assess KCERA's current space and to advise the Board on reasonable alternatives.

The results were clear: KCERA's current space is inadequate for its needs and provides no opportunity for expansion. KCERA's choices were to lease other space outside of County facilities, purchase and renovate an existing building, or purchase bare land and build a facility designed for its specific needs.

The KCERA Board's first choice was to relocate in the downtown area, providing for operations close to the County's administrative offices. However, despite a long and diligent search for suitable property on which to build, or an existing building that could be economically renovated, none could be identified.

The search process did have one very positive result, however. Since KCERA first started looking for a new home, real estate prices have declined, and KCERA was ultimately able to purchase its property at a price 20% lower than the original offer price.

Through the efforts of its real estate advisor, architect and general contractor, KCERA has pared the total cost of building the facility to

*(continued on page 2)*

### IN THIS ISSUE

- 1 – KCERA Preparing for New Residence and Investment
- 2 – Frequently Asked Questions
- 3 – Board Congratulations!  
– Retiree News: COLA
- 4 – Sign Up for Retirement Seminar

# KCERA Preparing for New Residence *(continued)*

less than \$5 million, which represents approximately 0.2% of the total fund's current value.

## **An Investment**

The purchase was made with a number of factors in mind. First and foremost was the immediate need for additional space, which the County could not accommodate. However, in keeping with KCERA's mission to invest the Fund to maximize returns and reduce administrative expenses, the KCERA Board has taken a very deliberate approach in order to create a viable investment profile for the new building.

Currently, KCERA pays several thousand dollars in rent per month to the County of Kern for the space it occupies. By owning its own facility, KCERA will hold the property as an investment as part of its real estate allocation, and its "rent" payments will be income to the system rather than to a landlord.

Also, like KCERA's other investments in real property, the site selected is expected to garner KCERA enhanced returns from

long-term appreciation. KCERA is a long-term plan. In 20 years, should KCERA decide to sell the building, the appreciation will be captured for the KCERA members.

## **Perception**

KCERA, along with all other pension funds and investment markets, saw significant asset value reductions in 2008 and the first half of 2009. While nearly half of the asset loss was recouped in the second half of 2009 due to the market rebound, the KCERA Board still struggled with the perception of a new building amidst the significant losses.

While the issue of perception is serious, the reality is that KCERA's current location, with no room for expansion, is in-

adequate; the KCERA Board has a responsibility to provide a facility that accommodates its operational needs so KCERA members can be properly served. Acquiring the property now also allowed KCERA to take advantage of the decline in the real estate market.

## **Where We Are Now**

Groundbreaking is scheduled in late January or early February 2010. The building should be ready for occupancy by year's end. Stay tuned for more project updates in future KCERA newsletters.

*(Taylor Teter Partnership provided architectural renderings of the new KCERA facility. The building's "northern elevation" is shown on the front cover.)*



*West Elevation*

## Frequently Asked Questions • Frequently Asked Questions • Frequently Asked Questions

### **Q: Are employer contributions vested in my retirement account? Can I access them?**

A: Your employer contributes to KCERA while you are in service, but these deposits are not divided

into individual member accounts. Therefore, they are not accessible until you retire. (Employee contributions, on the other hand, are vested, although they cannot be withdrawn while you remain em-

ployed.) At your retirement, employee and employer contributions, plus investment income earned on those contributions, combine to pay your lifelong pension benefits.

# Board Congratulations!

Congratulations to Jeff Frapwell, who ran unopposed to represent general members on the Board of Retirement for a second three-year term. Mr. Frapwell serves as the Board's *2nd Member*.

Also, Mark Ratekin was re-elected to represent safety members for another three-year term. Mr. Ratekin fills the *7th Member* seat, while Larry Studer was elected to the *7th Member Alternate* seat.



Jeff Frapwell



Mark Ratekin

(Mr. Studer's photo was not available at press time.)

## Retiree News

### Cost-of-Living Adjustment (COLA)

The annual COLA that KCERA retirees and beneficiaries are eligible to receive each April is based on the change in the regional Consumer Price Index average (CPI), rounded to the nearest positive 0.5%, from the previous year. If the CPI is greater than 2.5%, KCERA will pay up to a 2.5% COLA the following year and credit any excess in a member's "COLA bank." This excess will be applied to the COLA in a future year when the CPI is less than 2.5%.

The 2009 CPI was reported to be -0.8%, the first negative rate since 1975. As a result, COLA bank balances for retirees and beneficiaries will decrease in 2010. *Even so, most retirees will still receive a COLA this April.*

For example, members who retired prior to April 2, 2007 have a COLA bank greater than 2.5% and will therefore receive the full 2.5% COLA. Retirees from April 2, 2007 to April 1, 2008 have enough excess in their COLA banks to receive a 1.0% COLA. Retirees after April 1, 2008, however, have no COLA bank excess and will not be granted a COLA in 2010.

If you have any questions pertaining to the 2010 COLA, please contact the KCERA office.

## Upcoming Events & Important Dates

### Investment Board Meetings

January 13  
February 10  
March 10

### Regular Board Meetings

January 27  
February 24  
March 24

### Benefit Payment Mailings

January 25  
February 22  
March 25

### Retirement Planning Seminar

June 17, 2010  
Board Chambers  
1115 Truxtun Ave., 1st Floor

*The Board of Retirement meets at 1115 Truxtun Ave. in the multi-purpose room located on the third floor.*

## 2010 Board of Retirement

Norman Briggs, Chair  
Jeff Frapwell, Vice-Chair  
Brad Barnes  
Jackie Denney  
Joseph Hughes  
Robert Jefferson  
Mike Maggard  
John Mainland  
Mark Ratekin  
Phil Franey, Alt.  
Larry Studer, Alt.

# Sign Up for Retirement Seminar

Use this form to sign up for the next retirement planning seminar.

Name		SSN (Last 4 Numbers)	
Address			
City		State	Zip Code
Home Phone	Work Phone	Dept. Name/Number	
Please add my name to the reservation list for the retirement planning seminar to be held: <input type="checkbox"/> June 17, 2010 <input type="checkbox"/> December 2010			
Mail reservation form to:  KCERA 1115 Truxtun Avenue Bakersfield, CA 93301	You can also e-mail your reservation to servicerep@kcera.org or fax your reservation to (661) 868-3779.	Retirement planning seminars are designed for members <u>within five years of retirement</u> . Attendance at seminars is limited to about 130 people. Make your reservation early to ensure a seat at the next seminar.	