



A quarterly publication of the Kern County Employees' Retirement Association

Actuary Values KCERA to Set Contribution Rates

As noted in the last newsletter, KCERA consults with expert statisticians known as actuaries who quantify the assets and liabilities of the pension plan. It is not a simple job, as there are volumes of data to organize and evaluate, as well as key assumptions to incorporate into their analysis. But armed with this data, the actuary can confidently recommend contribution rates that help fund KCERA benefits each year.

San Francisco-based actuary The Segal Company recently completed a triennial Experience Study in which it analyzed KCERA's economic and demographic data from 2008 to 2011. The results were used to refine KCERA's actuarial assumptions to better match current experience. For example, KCERA members have been retiring at slightly lower ages than assumed. So the "retirement rate" assumption was tweaked to reflect this trend going forward.

At the February 8, 2012 board meeting, Segal presented its annual actuarial valuation, which "valued" the assets and liabilities of KCERA as of June 30, 2011. The report also determined if KCERA's current contribution rates were adequate to meet its long-term funding goals. The



valuation was based on the board's recently adopted economic assumptions (related to economic factors) and demographic assumptions (related to member experience).

In the valuation, Segal compared KCERA's *actual* experience—what happened in the last fiscal year—to the *projected* experience—what was expected to happen. To the extent there were differences, Segal adjusted the future contribution requirements for employers and employees. That is why accurate assumptions are so critical to maintaining level contribution rates.

The contribution rate recommendations recently adopted by the Board of Retirement and the Board of Supervisors will take effect in the next fiscal year, beginning July 1, 2012. They will apply to each plan sponsor—the County, Superior Court and twelve districts—and all employees still contributing to KCERA.

Depending on the member's age of entry into KCERA, General Tier I rates will range from 5.98% to 11.08%; General Tier II rates will range from 4.25% to 8.65%; and Safety rates will range from 10.44% to 17.50%. The flat rate paid by certain safety bargaining units will be 12.86%.

The 2008-11 Experience Study resulted in slight adjustments to employee contribution rates.

(continued on back page)

Inside This Issue

Actuary Values KCERA to Set Contribution Rates	1
Talking Heads	2
FAQs	2
Statistical Year-in-Review	3
Retiree News	3

Talking Heads

KCERA supervisors offer retirement advice



KAREN FRIESON, *Retirement Supervisor*

“It is a good idea to get retirement counseling from an RSR early in the process to avoid surprises later on. Counseling can be in person or by phone. You can submit your application up to two months in advance of retiring—earlier if you go on terminal vacation. Other documents also may be required, such as a marriage license (if married) or a domestic relations order (if divorced).”



CINDY WILKINSON, *Fiscal Support Supervisor*

“Before retiring, have a bank account set up to receive the “direct deposit” of your monthly allowance. Be sure to provide a voided check when submitting your completed retirement packet. Also, to get credit for service purchases (for example, prior Extra Help time), you must pay for them before retirement. Don’t wait too long to start purchases.”



BRENDA GREENWOOD, *Information Technology Manager*

“It is important to update your address and beneficiary information as soon as a change occurs (e.g., marriage, divorce, death, new residence). This ensures that our database contains recent data, which KCERA relies on to issue your benefit payments and to send you correspondence.”



GLORIA DOMÍNGUEZ, *Assistant Executive Director*

“KCERA offers several points of contact to accommodate members’ schedules and preferences. For example, you can receive information by visiting or calling our office, e-mailing servicerep@kcera.org, using the Online Benefit Estimator at www.kcera.org, or perusing our website. If you have other ideas for how KCERA can better serve you, please tell us.”

Editor’s Note: [Click here to view KCERA’s Fiscal Year 2011 Annual Report!](#)

FAQS

Q. How will my pension be divided with my ex-spouse?

A. If you were employed by the County/District and married at the same time, your ex-spouse is entitled to a “community property interest” in your retirement benefit. You must submit to KCERA a court-approved Domestic Relations Order (DRO) instructing KCERA on how to divide your benefit. Some divorced couples agree to a percentage divi-

sion, whereas others opt for the “time rule,” which divides retirement benefits based on your length of marriage and employment service. Whatever methodology is chosen, your ex-spouse’s benefit will generally continue throughout your lifetime (and your new spouse’s, if you remarry).

STATISTICAL YEAR-IN-REVIEW



Statistically, 2011 was a somewhat historic year for KCERA, as the table below illustrates for the three calendar years ended December 31.

Category	2011	2010	2009
Retirements	462	416	418
Active Membership	8,255	8,377	8,801
Total Membership	15,873	15,686	15,789
Service Purchases via Payroll Deduction	52	62	89
Service Purchases via Lump Sum Payment	277	325	322

Last year KCERA processed 462 retirement applications, just surpassing the previous record of 458 applications in 2005, when the “3% at 60” benefit took effect. Before then, KCERA processed about 200 retirements per year.

Active membership continued its decline into 2011, as hiring remained subdued. This employment trend is partly responsible for the limited growth in KCERA’s total membership over the past few years.

(continued on back page)

Retiree News

2.5% 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 positive 0.5%. Last year’s CPI was reported as 2.7%. This means *all* retirees and beneficiaries will receive the full 2.5% COLA with their April payment. The remaining 0.2% will be deposited in their “COLA bank” to use in a future year.

TAX WITHHOLDING

Retirees can modify their tax-withholding status at any time using a Change Request Form, available in the KCERA office and online. The form lets you change the federal and/or state income tax withheld from your monthly KCERA benefit. You may want to consult with a tax advisor.

IMPORTANT EVENTS & DATES

Board of Retirement Meetings

April 11
May 16
June 13

Investment and Regular Board meetings have been combined. Meeting are now scheduled on the second Wednesday of each month beginning at 8:30 a.m.

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

The public is invited to attend. Meeting agendas are available online at www.kcera.org.

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*

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ACTUARY VALUES KCERA *(continued)*

Changes to general member rates ranged from -0.29% to +0.08%. Changes to safety member rates ranged from -0.30% to +0.56%.

Employers will contribute at rates ranging from 32.31% to 57.22% of total payroll, depending on employee group. This represents about a 4% average increase from the prior year. In fiscal year 2012-13, Segal estimates the annual contributions from all employers will be \$231 million.

You can access the 2008-11 Experience Study and the June 30, 2011 Actuarial Valuation at www.kcera.org by clicking on "Investment Reports" in the sidebar.

Segal, bound by professional and industry standards, determined that KCERA's funding status was 60.8% as of June 30, 2011. However, there are differing views on calculating funding status based on other assumptions and methodologies (e.g., Stanford Institute for Economic Policy Research (SIEPR)'s February 21, 2012 report entitled "More Pension Math"). The SIEPR report and related responses are posted on the KCERA website under "Investments" for your reference.

The Board of Retirement invites you to attend its May 16, 2012 meeting, where KCERA's Funding Policy, 2011 Actuarial Valuation and funding status will be discussed.

YEAR-IN-REVIEW *(continued)*

Another trend in 2011 was a decrease in the number of service credit purchases. Both payment method types have seen declines in recent years, although KCERA expects there

be more lump-sum payments in the future because *pre-tax* payroll deductions are no longer allowed by the Internal Revenue Service.