



Retirement Chronicles

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News & Views

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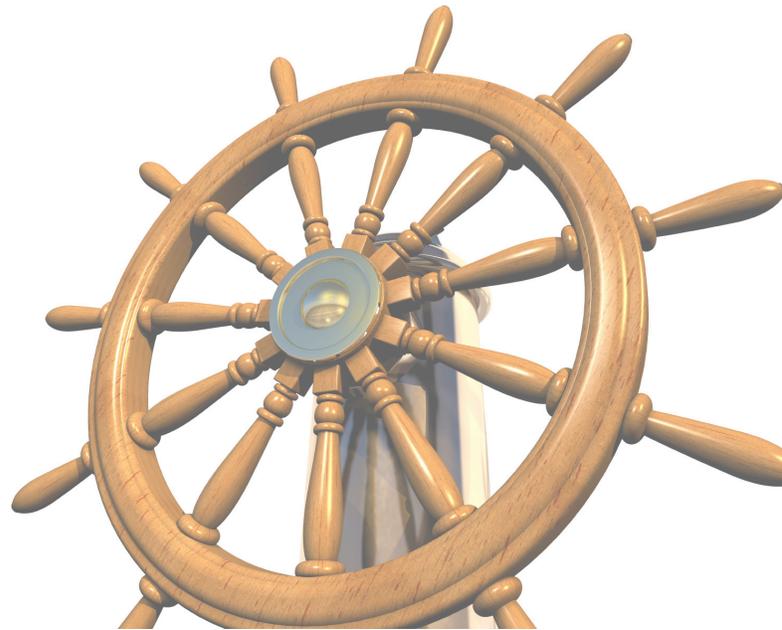
New Executive Director at Helm

A new captain is at the helm of KCERA. After months of searching and interviewing, the Board of Retirement narrowed its list of executive director candidates to a single name: Gloria Domínguez.

Ms. Domínguez was among nearly 20 candidates nationwide vying for KCERA's leadership role. The Board of Retirement interviewed finalists in October and unanimously voted to offer her the job.

With the recent retirement of her predecessor, Anne Holdren, Ms. Domínguez became KCERA's new Executive Director. She is now responsible for managing the \$3.4 billion pension fund, serving as board secretary, directing the activities and staff of the retirement association, overseeing its investments, implementing board policies, and much more.

Ms. Domínguez served as KCERA's Assistant Executive Director for the past two years. Prior to this, she was Kern County's Director of Budget and Finance, where she developed and monitored an annual \$2.2 billion budget while overseeing the execution of the county's financial policies. Earlier, she was a senior administrative analyst in the County Administrative Office and an administrative services officer in the Office of the District Attorney and the Kern County



Superior Court. Ms. Domínguez brings 17 successful years of public sector experience to her new job.

Beyond work, Ms. Domínguez serves as president of the Board of Directors of the East Niles Community Services District. She previously chaired the board of the Kern Chapter of California Women Lead.

"Ms. Domínguez's experience in the public sector and her proven management of the operations of KCERA made her the best candidate for the position," said Board Chairman Jackie Denney."

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KCERA Welcomes

2 "NEW" TRUSTEES

Following November's election, KCERA welcomed two new trustees to the nine-member Board of Retirement. But neither trustee is actually *new* to the board.



Bob Jefferson

Bob Jefferson (Roads Dept.) served as the board's Second Member from 2008 to 2010. General members just re-elected him, this time to the Third Member seat.



Phil Franey

Phil Franey served as the board's First Member from 1986 to 2007 and then as the Alternate Eighth Member from 2008 to 2013. Because his Eighth Member candidacy was unopposed, he was appointed in lieu of an election.

No candidates filed for the Eighth Member Alternate seat, representing retirees, so it will remain vacant until a special election is held. The term for the three seats will expire on December 31, 2016.

KCERA Bids FAREWELL



Norman Briggs



Lance Horton



Konrad Moore

KCERA offers its sincere thanks to departing trustees **Norman Briggs** (retired), **Lance Horton** (appointed) and **Konrad Moore** (general). The board appreciates each of their contributions. Special recognition is due to Mr. Briggs for serving as board chairman in 2010 and 2011.

faq

How does the new pension reform law affect KCERA members?

A. The Public Employees' Pension Reform Act of 2013 ("PEPRA") does not impact retired members, except for a few more rules about returning to county or district employment. But PEPRA has *four* primary impacts on "PEPRA members," who were newly hired in 2013 or later. 1) Their benefit formulas are capped at certain maximum limits.

2) Their "final average compensation" (FAC) is based on a three-year average instead of pre-2013 employees' one-year average. 3) Several special pays are excluded from "pensionable compensation," which could limit their FAC. 4) They pay retirement contributions at half of the "normal cost rate," as determined by the actuary.

→ What do you know ABOUT RETIREMENT ? *(see answers below)*

1. MULTIPLE CHOICE. If KCERA is notified that your ex-spouse has a community property interest in your KCERA pension, what can you *not* do as an active or deferred member?

- (a) Change your name (c) Receive retirement counseling
(b) Receive retirement benefit (d) Purchase service credit

2. TRUE OR FALSE. Getting older increases your retirement benefit.

3. FILL IN THE BLANK. The best method to purchase prior county service is _____.

POP QUIZ ANSWERS

1. (b) KCERA cannot pay you a monthly retirement benefit until your Judgment, Joinder and court-approved QDRO are on file.

2. True. Your pension will increase every quarter-year older you are. This is true up to age 60 for General Tier I, age 65 for General Tier II, age 50 for Safety Tier I, and age 55 for Safety Tier II. (See "Playing with Numbers" example on page 4.)

3. Up to you! You can choose between cash payment, retirement account rollover, payroll deduction or a combination of these options. Pick the one(s) that suit you best.

UPCOMING EVENTS

Board of Retirement Meetings

January 8
February 12
March 12
April 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.



Retiree News

FORM 1099-R's COMING SOON

Due to a change in processing retiree benefit payments, you may receive Form 1099-R's issued by both Northern Trust and KCERA. Refer to *all* tax forms when filing your 2013 taxes. Contact KCERA at (661) 381-7700 or (877) 733-6831 with any questions.

The Form 1099-R is an important tax document that provides information about federal and state income taxes withheld from your monthly KCERA benefit. Please keep the form with other important tax documents. If your benefit is not subject to income tax, you will *not* receive a Form 1099-R.

KCERA Goes *Direct* with Hedge Funds



Among asset classes, hedge funds might be the most complex and least understood. Perhaps this is because they use lesser-known investment strategies like short-selling and leverage, or because only sophisticated investors have historically had access to them. However, these factors often make hedge funds useful, particularly in down markets, for institutional investors like KCERA.

By 2005, KCERA had allocated about \$80 million to two hedge fund-of-funds (FoFs) managers, which invested the money in underlying hedge funds. The two managers' success (and KCERA's rate of return) depended on how well the underlying hedge funds performed.

The downside to using hedge fund-of-funds is three-fold: an additional layer of costs, low transparency and the reluctance of elite hedge fund managers to accept capital from fund-of-funds managers. As a result, KCERA did not benefit from the returns generated by elite managers.

For these and other reasons, KCERA began transitioning from a hedge FoFs platform to direct hedge fund investing last year. One immediate benefit of this shift was management fee savings of over \$3 million per year. The Board of Retirement also hired the world's leading hedge fund consultant, Albourne America LLC, to help KCERA invest in hedge funds directly. This strategy put KCERA in the driver's seat in terms of hedge fund selection, securities monitoring and access to managers that would typically not be available to a fund of KCERA's size.

With its \$340 million allocation (10% of the total portfolio) to hedge fund strategies, KCERA has hired seven elite hedge funds in the past year. When the hedge fund portfolio is complete, KCERA expects it to contain fourteen or fifteen top-tier firms.

Playing with Numbers

How Time Affects Your Pension

Here is an illustration to show how the passage of time affects a KCERA benefit. The scenario below assumes a 50-year-old General Tier I member who has 20 years of service and a \$60,000 final average compensation. Let's see how things change with each passing quarter-year.

Age	50.00	50.25	50.50	50.75	51.00
Years	20.00	20.25	20.50	20.75	21.00
Benefit	\$1,953	\$2,002	\$2,052	\$2,102	\$2,153

By this member working just *one* more year (from age 50 to 51), her "age factor" and years of service increase. These minor changes add an *additional* \$200 to her monthly benefit. It pays to get older!

• RETIREMENT •

• BOARD • OF

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

• BOARD • OF

• RETIREMENT •

CONTACT US

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