



# THE RETIREMENT CHRONICLES

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## Actuarial Assumptions

There is an old saying about making assumptions. Although they are discouraged with regard to people, actuaries believe they are essential to KCERA's future.

Actuaries are expert statisticians who use past experience, future expectations and mathematical algorithms to estimate the future costs of administering a pension plan (i.e., paying retirement benefits). They also determine the amount of assets needed today to finance those future costs. From that analysis, they recommend retirement contribution rates for employees and employers to meet the plan's funding requirements.

### Assumptions and Actuarial Reports

KCERA's actuary, Segal Consulting, relies on numerous assumptions when estimating the future assets and liabilities of the plan. Because Segal's estimates (and the resulting contribution rates) are only as good as the assumptions and data it uses, accuracy is paramount.

There are *economic* assumptions that relate to economic/financial factors, and *demographic* assumptions that relate to recent KCERA plan experience. Economic assumptions include inflation rate, payroll growth and investment rate of return. Demographic assumptions include members' retirement rates, retirement ages, mortality rates, final compensation, service credit, and so on.

To obtain accurate data for their assumptions, Segal conducts a triennial Experience Study of the KCERA plan. This study evaluates the past three years of member experience, identifies trends in the data, compares the data to prior experience and assumptions, and recommends revisions to old assumptions *if warranted*. Assumption changes affect the long-term costs of the plan and, as a result, could impact retirement contribution rates.

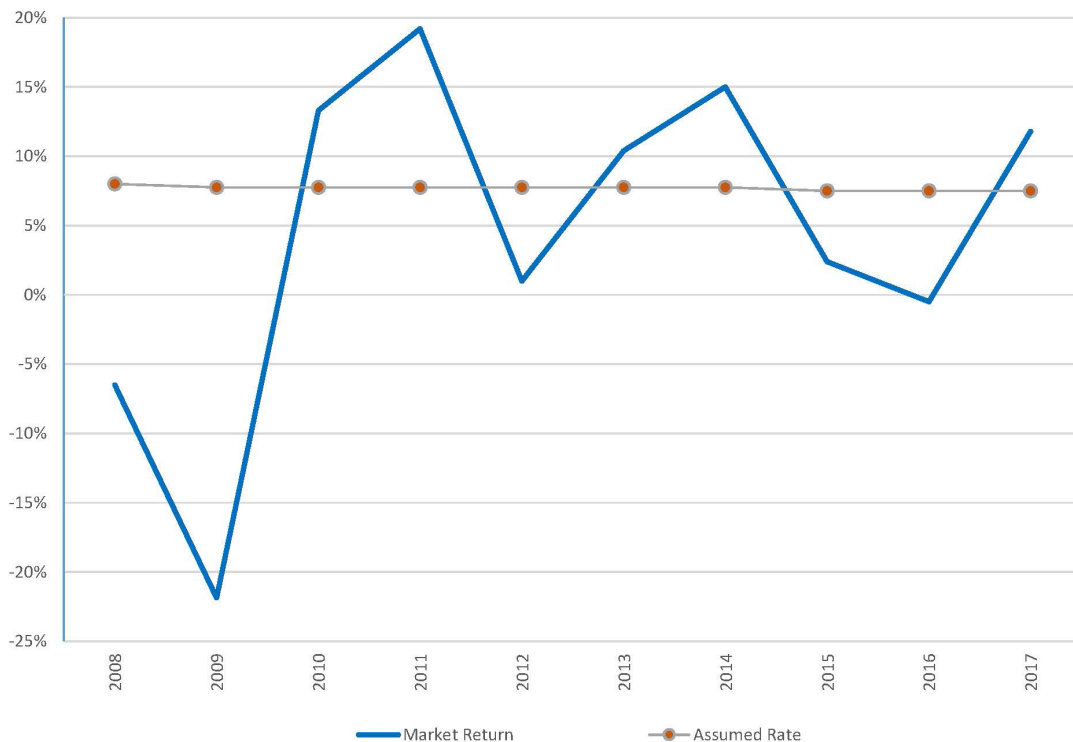
This summer, Segal presented KCERA's 2013-2016 Experience Study to the Board of Retirement, recommending changes to the inflation assumption rate, salary increase assumptions, and the retirement, mortality, termination and disability incidence rates. Most notably, Segal also proposed lowering to 7.25% the assumed investment rate of return. KCERA's assumed rate has gradually decreased from 9.5% in 1984 as factors such as wage growth, inflation and market returns have changed over time. The board approved all actuarial recommendations at its July 12, 2017 meeting.

Segal also performs an annual actuarial valuation that compares plan experience to what was expected to happen in a given year. Differences between the actual data and the assumptions produce actuarial gains and losses. The "gains" decrease contribution rates; the "losses" increase rates. Therefore, having accurate assumptions based on empirical data helps to ensure stable contribution rates for employers and employees alike.

In the last actuarial valuation, Segal recommended contribution rates for each KCERA employer. The Boards of Retirement and Supervisors adopted the rates, which took effect in July 2017. Segal will issue KCERA's next actuarial valuation in November 2017. You can view all actuarial reports on the "Financial Reports" page at [www.kcera.org](http://www.kcera.org).

# Investment Returns\$ (FUNDING YOUR FUTURE)

One of the primary tasks of the Board of Retirement is to invest KCERA's assets so that the retirement benefits of all vested members are adequately funded. Because KCERA will pay lifetime benefits to existing *and* future members, the board must act to ensure the long-term funding of the pension plan for decades to come.



KCERA receives its funding from three sources: employer contributions, employee contributions and investment returns. Plan sponsors and members contribute to KCERA on a biweekly basis, with their individual rates determined by an actuary.

KCERA's investment returns, however, depend on factors such as economic growth, asset allocation, manager selection, inflation and geopolitical stability.

Whereas contribution amounts can be estimated in advance, projecting investment returns is nearly impossible due to frequent market fluctuations. One year might yield low returns, but the next might produce gains for KCERA that far exceed its assumption rate of 7.25%. For example, KCERA earned 11.8% (net of fees) in fiscal year 2017, equating to a \$450 million gain for the plan.

**Above is a chart of KCERA's investment returns from fiscal years 2008 to 2017.** The 1-year, 3-year, 5-year and 10-year annualized returns (net of fees) as of June 30, 2017 were 11.8%, 4.4%, 7.7% and 3.7%, respectively. Except for the 10-year return, KCERA outperformed its "Total Fund" policy indices for each time period.

## FAQ:

### How do I register for the Member Portal?

Go to [www.kcera.org](http://www.kcera.org) and click on the Member Portal tab. On the login page, click on "Register for Account." Complete the registration form by inputting your Member Key and email address on file. (Your Member Key can be obtained by calling KCERA and answering a few questions to verify your identity. To change your email address on file, complete and

submit an Email Change Form from [www.kcera.org](http://www.kcera.org).) A confirmation notice will be emailed to you. Click the link provided to continue the registration process. You will need to create a username and password—store these credentials in a safe location—and select security questions to answer. *Registration instructions are also linked from the login page.*

## News & Notes

KCERA would like to recognize retiring Executive Director Gloria Domínguez, whose county career spanned more than fifteen years, the last six of which were at KCERA. From June 2011 to November 2013, she served as KCERA's Assistant Executive Director. The Board of Retirement then tapped her to lead the agency, which she has done capably for the past three years. KCERA wishes her a long and happy retirement!

After Ms. Domínguez announced her retirement plans, the Board appointed Dominic Brown as KCERA's Acting Executive Director as of October 28, 2017. He has served as the Assistant Executive Director since 2016. Previously, he spent eight years as a division chief in the office of the Kern County Auditor-Controller.

\* \* \*

Juan Gonzalez joined the KCERA Board of Retirement after his June 20, 2017 election by general members. He has worked as a recovery specialist at Kern County Behavioral Health and Recovery Services since 2013.

\* \* \*

The June 22, 2017 retirement planning seminar was recorded and can be viewed at KCERA's "Educational Videos" webpage. The e-seminar includes presentations by the Retired Employees of Kern County, KCERA, Social Security Administration, Kern County Health Benefits and Kern County Deferred Compensation. Members are encouraged to watch this informative video to assist in their retirement planning.

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KCERA will host a retirement planning seminar for county employees on December 14, 2017 in the Board of Supervisors' Chambers. If you are unable to attend but aim to retire in the next 12 months, please contact a retirement services representative at (661) 381-7700.



**Gloria M. Domínguez**  
Executive Director

## Retiree News

### UPDATE PERSONAL INFORMATION

It is important to keep your personal information updated to ensure that you (or your beneficiary) continue to receive your KCERA benefits without interruption. To update your name and address, log in to your Member Portal account and click on "Personal Information." To update your "direct deposit" or tax-withholding information, click on "Pension Benefits."

If you do not have a portal account but want to update your information, complete a *Change Request*

*Form* and return it with valid photo identification. To designate a new beneficiary due to marriage, divorce or death, complete a Beneficiary Designation Form and return it with applicable legal documents.

All forms can be downloaded from the KCERA website, picked up at the KCERA office or requested by calling (661) 381-7700. *Your personal information cannot be updated by phone.*

# PLAN SPONSOR *Spotlight*

Among KCERA's plan sponsors, three are committed exclusively to providing recreational opportunities to local residents.

**Buttonwillow Recreation and Park District** and **Shafter Recreation and Park District** serve their respective towns. **West Side Recreation and Park District** serves 400 square miles in the county's west side.

The three districts offer their target communities a variety of sports, fitness, cultural and educational programs that seek to improve personal and community life, facilitate learning, strengthen community and build character.

Collectively, the districts maintain facilities and fields where youth, adults and seniors can play baseball, basketball, cross country, flag football,

soccer, swimming, tennis and volleyball. Other programs and events include youth movie nights, adult fitness classes, aerobics, arts and crafts, and even karaoke. To learn more about the services provided by the Buttonwillow, Shafter and West Side Recreation and Park Districts, please visit their websites.

**Buttonwillow Recreation** joined KCERA as a special district in 1987 and currently has 3 active members in KCERA. **Shafter Recreation** joined KCERA in 1981 and has 2 active members. **West Side Recreation** joined KCERA in 1952 and has 9 active members in KCERA.