



Historical Investment Returns

The Board of Retirement is responsible for ensuring adequate funding of the retirement benefits for all vested members. To accomplish this goal, the Board relies on three funding sources: employer contributions, employee contributions and investment returns. Investment returns contribute to the well-being of the Fund and help pay for present and future pension obligations.

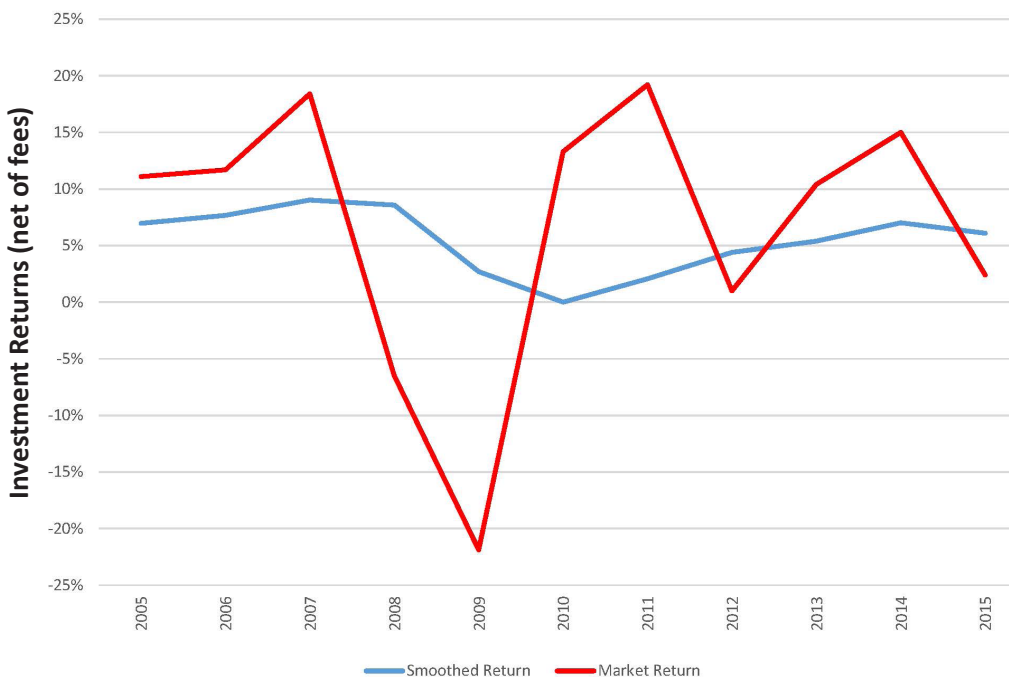
Below is a chart tracking KCERA's investment returns from fiscal years 2005 to 2015. The red line represents actual market performance from year to year. The blue line represents the "five-year smoothed asset valuation method." KCERA's actuary looks at mar-

ket returns from the preceding five years in order to calculate a "smoothed" rate of return.

As the chart illustrates, valuing investment returns using the asset-smoothing method (blue line) helps KCERA focus on long-term returns rather than the volatility seen in year-to-year market returns (red line). Because employer contribution rates are based, in part, on investment returns, "smoothed" returns help stabilize employer contribution rates, especially when investment markets are volatile.

KCERA's portfolio consists of several asset classes: U.S. and non-U.S. equities, fixed income, real estate, commodities, hedge funds and private equity. At the end of 2015, KCERA's 1-year, 3-year, 5-year and 10-year annualized investment returns (net of fees) were -0.3%, 5.7%, 6.0% and 4.5%, respectively.

"Since 2009, equity and bond markets have strongly rebounded from earlier losses," said Chief Investment Officer Peter Tirp. "With the exception of commodities, non-public assets (e.g., real estate) have also performed well. During this time, KCERA consistently outperformed its policy indices, with its performance ranking relative to institutional peers also steadily improving."





Beneficiaries & Benefits

3 THINGS TO CONSIDER WHEN YOU RETIRE

When it comes to retirement, one of the issues most often taken for granted is who to name as a beneficiary. That decision is usually easy to make: if you have a spouse or registered domestic partner, select that person. But not every member will have a spouse or partner when they sign final retirement papers. If that is you, here are three things to consider when choosing a beneficiary.

1. Eligibility. Is the person you are considering eligible to be named as a beneficiary of your KCERA benefit? KCERA's requirement is that the person have an "insurable interest" in your life. In general, this means the person depended upon you in whole or in part for his/her support. Family members may be eligible to be named as beneficiaries.

2. Type of survivorship benefit. KCERA offers lifetime benefits and lump-sum payments to surviving beneficiaries. As the member, you determine what benefit is paid and to whom. For example, you could elect a retirement allowance option that, upon your death, would provide your beneficiary with a lifetime continuance of your monthly benefit. You could also name a different person to receive the \$5,000 KCERA death benefit.

3. Divorce requirement. If your Domestic Relations Order states that you must name an ex-spouse as your beneficiary for a particular benefit (e.g., lifetime continuance), you are obligated to designate that person when you sign final retirement papers. KCERA will review your divorce documents in advance to ensure that the terms of the legal order are met. Because of its potentially significant impact on your monthly benefit, please contact KCERA to discuss the matter before filing for retirement.

KCERA currently pays monthly benefits to more than 800 surviving beneficiaries. These individuals are an important part of KCERA, for they represent the "pension promise" that was first made to you – a promise that continues to be honored.

If you want to update your beneficiary designation due to your marriage or divorce, or due to their address change or death, you can find a Beneficiary Designation Form at www.kcera.org on the "Forms" page. Please return it along with any supporting legal documentation.

faq

Can I obtain a verification of income before I retire?

Some members on the cusp of retirement decide to make a large purchase, such as a house or vehicle. To determine the buyer's creditworthiness, lenders often request a verification of income (VOI). Unfortunately, KCERA cannot provide a VOI letter until the new retiree has signed "final

retirement papers." This usually occurs about four weeks after the retirement date. If you are considering a major purchase, please be aware of this limitation. Once you are on retiree payroll, KCERA can generate a VOI for you anytime.



Member Portal



KCERA's Member Portal is currently under construction. When it is completed later this year, you will be able to view your retirement account information in a secure, password-protected portal, accessible from the KCERA website!

Here are a few of the features and functions you will see on the portal:

Active and deferred members will be able to view their retirement contribution balances, earliest retirement dates, beneficiary designations and benefit estimates.

Retired members will be able to view their payment remittances, retirement details, beneficiary designations, tax forms and benefit payment preferences.

KCERA's Member Portal will also incorporate other useful information, educational resources and links—all with the aim of providing you with the best service and information ... anytime, anywhere!

Deferred and Retired Members:

Your personal email address will be required to sign up for portal access. Therefore, it is important to keep your email address updated with KCERA. To do so, please submit a Change Request Form, which you can download from the "Forms" page at www.kcera.org.



Reminder!

The next Retirement Planning Seminar is on June 23.

2016 COLA

At its February meeting, the Board of Retirement approved the following cost-of-living adjustments (COLA) for KCERA retirees and beneficiaries as of April 1, 2016:

- 2.5% for retirements on or before April 1, 2000
- 2.0% for retirements between April 2, 2000 and April 1, 2001
- 1.0% for retirements between April 2, 2001 and April 1, 2003
- 0.5% for retirements between April 2, 2003 and April 1, 2004
- 1.0% for retirements between April 2, 2004 and April 1, 2008
- 0.5% for retirements between April 2, 2008 and April 1, 2010
- 1.0% for retirements between April 2, 2010 and April 1, 2015
- 0.5% for retirements between April 2, 2015 and April 1, 2016

The 2016 COLA, which will be paid starting in April 2016, takes into account the annual change in the region's average Consumer Price Index (CPI) and any "COLA bank" reserves accrued by the retiree in previous years.

Retiree News

WHAT do you know ABOUT RETIREMENT ?

Active & Deferred Member POP QUIZ

(see answers below)

- 1. TRUE OR FALSE.** Getting older increases your retirement benefit.
- 2. FILL IN THE BLANK.** The best method to purchase prior county service is _____.
- 3. 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
 - (b) Receive retirement benefit
 - (c) Receive retirement counseling
 - (d) Purchase service credit

POP QUIZ ANSWERS:

1. True. Your pension will increase every quarter-year older you are prior to retirement. 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.
2. 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.
3. (b) KCERA cannot pay you a monthly retirement benefit until your Judgment, Joinder and court-approved QDRO are on file.

Kern County Employees' Retirement Association
11125 River Run Boulevard
Bakersfield, CA 93311-8957
PRUDENT INVESTMENT • QUALITY SERVICE

KCERA