



# Retirement Chronicles

A quarterly publication of the Kern County Employees' Retirement Association

News & Views

July 2013

## A Closer Look at the SRBR

*What It Is and Why It Matters to KCERA Retirees*

The Supplemental Retiree Benefit Reserve (SRBR) is a reserve account funded by KCERA's investment earnings to provide supplemental benefits to its retired members and their beneficiaries, paid in addition to the core benefits.

Beginning with a very modest benefit, the SRBR has grown in scope and value over time. KCERA first issued SRBR benefits in 1985 to a small number of retirees and beneficiaries. Today, the SRBR impacts more than 7,000 pensioners, most of whom receive monthly cost-of-living adjustments (COLA) and SRBR 1 payments. One in six KCERA retirees also qualifies for SRBR 2 and SRBR 3 benefits. In all, the SRBR finances five supplemental benefits:

- **Death Benefit:** A one-time payment of \$3,000 to a beneficiary.
- **0.5% COLA:** Part of the annual 2.5% COLA, paid monthly.
- **SRBR 1:** A monthly payment of \$35.50 to retirees hired before July 1994.
- **SRBR 2:** A monthly payment based on years of service and applicable only to retirements prior to the early 1980s.
- **SRBR 3:** A monthly payment that ensures 80% purchasing power.

The Retirement Board adopted the SRBR 3 benefit because annual inflation, measured by the region's Consumer Price Index (CPI), was decreasing the "purchasing power" of retiree allowances.

The SRBR 3 ensured that a retiree's pension benefit would retain at least 80% of its original value and be maintained at that level as long as SRBR funds were available. KCERA reviews its retiree payroll annually and applies any SRBR 3 benefit changes to qualifying retirees' core benefit in July.

Over the last three fiscal years, KCERA has paid more than \$34 million from the SRBR, including \$8 million for SRBR 1, \$4 million for SRBR 2, \$6 million for SRBR 3, \$1 million for death benefits and \$15 million for the 0.5% COLA.

### Funding the SRBR

Unlike the core pension benefits and the 0.5% COLA, which are vested by law, other SRBR benefits are not vested. Rather, they are provided only when funding is adequate and upon approval of the Board of Retirement.



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# SPECIAL ELECTION RESULTS!



Russell Albro



Dominic Brown

**Russell Albro** serves as a commander in the Kern County Sheriff's Office, where he has worked since 1998. Before joining the county, Mr. Albro worked for the City of Ridgecrest Police Department from 1991 to 1998.

A special election was held on April 16, 2013 to fill two vacancies on the Board of Retirement.

**Dominic Brown** was elected to the Second Member seat, representing general members, and **Russell Albro** was elected to the Alternate Seventh Member seat, representing safety members.

To view the election's Certificate of Results, [click here](#).

**Dominic Brown** has served as the audit chief for the Auditor-Controller-County Clerk since 2008. He previously worked as an audit supervisor at Daniells Phillips Vaughan & Bock, CPAs; assistant controller at Lennar Homes; and senior accountant at Brown Armstrong, CPAs. Mr. Brown is a member of the Kern County Debt Service Advisory Committee and the Association of Certified Fraud Examiners.

## Two Join Admin Staff

**Ms. Zahry** serves as KCERA's *General Counsel* to support staff and the Board of Retirement. She was as a deputy county counsel from 2002 to 2012 before becoming a law clerk for the U.S. Magistrate Judge of the Eastern District of California. Ms. Zahry is currently vice-president of the Kern County Bar Association.

KCERA recently welcomed two county veterans to its administrative staff: Jennifer Zahry and Janice Jackson.

**Ms. Jackson** serves as KCERA's *Office Services Coordinator* for management staff and the Board of Retirement. From 2001 to 2012, she was a senior office services specialist in KMC's Psychiatry Department and at DHS. Earlier, she served as an executive assistant and office manager in the oil and gas industry.

## faq

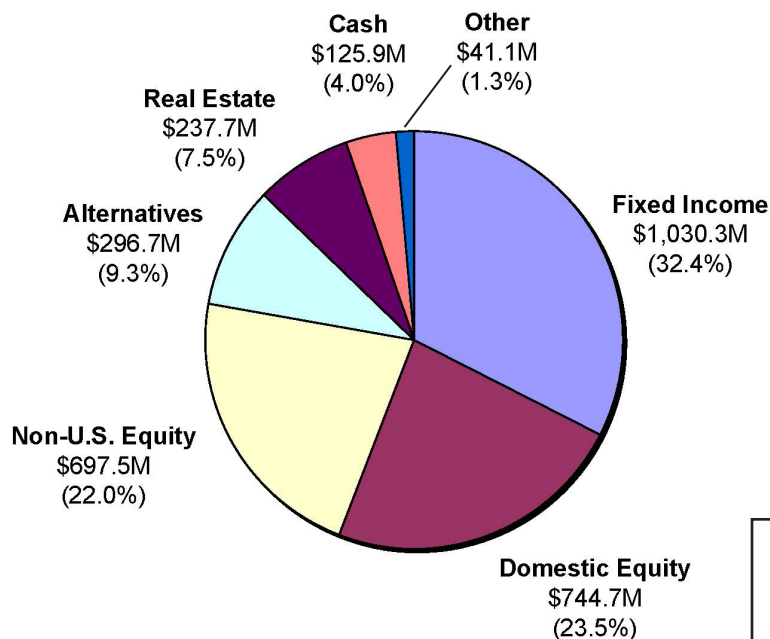
### How does KCERA invest its funds?

**A.** Like other public pension plans, KCERA diversifies its investable funds in a strategically designed asset allocation that includes U.S. equities (stocks), non-U.S. equities, fixed income, real estate, hedge funds, private equity and opportunistic investments. KCERA's investment consultant has developed a well-balanced allocation based on

each asset type's risk/reward profile and KCERA's target rate of return: 7.75% per year. However, the asset allocation is not set in stone. If strategic shifts need to be made in the portfolio, the Board of Retirement can adjust its diversification accordingly.

# ASSET ALLOCATION AT A GLANCE

Here is a snapshot of KCERA's asset allocation as of March 31, 2013. You will note that the bulk of KCERA's \$3.17 billion investment portfolio is invested in fixed income and equity markets. Smaller asset classes provide valuable diversification, allowing KCERA to capitalize on profitable opportunities around the globe.



**TO LEARN MORE** about KCERA's investments, consider attending an Investment Committee meeting. Board and committee meetings are announced on the KCERA website.

## UPCOMING EVENTS

### Board of Retirement Meetings

August 14  
September 11  
October 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](http://www.kcera.org).

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



## Retiree News

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### SRBR 3 BENEFIT UNCHANGED

The Supplemental Retiree Benefit Reserve 3 (SRBR 3) is a non-vested, supplemental benefit that provides 80% purchasing power protection for KCERA retirees and beneficiaries.

Each year, KCERA reviews everyone's monthly benefit in relation to the region's consumer price index (CPI) and previously granted cost-of-living adjustments (COLAs). If a monthly benefit has lost more than 20% of its original purchasing power, SRBR 3 benefits will increase to bring the total benefit back to 80%.

Most retirees received the full 2.5% COLA in April 2013, so their current benefit retains at least 80% of its original purchasing power, with a few exceptions. *Therefore, most KCERA retirees will not see an increase in their SRBR 3 benefit in July 2013.* Notifications to recipients of an SRBR 3 increase were mailed in mid-July.



## COUNTY CHANGES POS PLAN ADMINISTRATOR

On April 16, 2013, the Board of Supervisors voted to change administrators of the county's Point-of-Service (POS) health plan. The change will *not* impact the health benefits, healthcare availability or co-pays for any KCERA member enrolled in the plan, including retirees. Questions about the POS plan should be directed to the county's Health Benefits Division at (661) 868-3182.

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## BOARD OF RETIREMENT

Jackie Denney, *Chairman*  
Michael Turnipseed, *Vice-Chair*  
Norman Briggs  
Dominic Brown  
David Couch  
Lance Horton  
Rick Kratt  
Konrad Moore  
Gayland Smith  
Phil Franey, *Alternate*  
Russell Albro, *Alternate*

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## SRBR

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The SRBR is financed separately and operates distinctly from KCERA's valuation reserves, which are set aside to fund the core benefits. When KCERA has investment earnings in excess of the assumed rate of return (currently 7.75%), approximately 50% is allocated to the SRBR and 50% is credited to other reserve accounts. However, unlike the funding of core benefits, SRBR funding is not impacted by investment losses.

Because the SRBR and other KCERA accounts are funded separately, a decrease in the value of one will not affect the value of the other. Nor can the SRBR be used to improve KCERA's funded status. The SRBR is used solely for the benefit of KCERA retirees and beneficiaries.

### **A Well-Funded Future**

SRBR non-vested benefits will continue to be paid as long as money remains in the reserve. The Retirement Board's funding policy aims to actuarially fund most SRBR benefits at over 100% and the SRBR 3 benefit for at least 20 years. As of June 30, 2012, the SRBR reserve held \$188 million in assets and was 168% funded! Assuming all actuarial assumptions are met, this level of funding should allow *all* currently established non-vested SRBR benefits to be paid to *all* current retirees and *all* current KCERA members who will eventually retire *for the rest of their lives*.

## CONTACT US

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