April 2010

The Retirement CHRONICLES

A quarterly publication of the Kern County Employees' Retirement Association

Returns on the Rise

Despite years of dramatic volatility in the investment markets, climaxing with the March 2009 lows, KCERA's investments made an impressive run through the remainder of the year—to the tune of $456 million.

Contributing to the growth was a fourth-quarter net gain of 4.13%, or $99 million, in the three-month period alone. Outperformance in the domestic equities, core fixed income, real asset and absolute return portfolios led the quarterly investment gains.

Among KCERA's top-performing asset classes in 2009 were high yield, which rose 47.46%; international equity, which added 41.76%; domestic equity, which gained 29.27%; and core fixed income, which increased 20.99%.

In all, the KCERA fund grew by 23.23% (net of fees) in the year ended December 31, 2009, outperforming its peer group average (the TUCS median) by 5.21%!

The annual growth equated to an additional $456 million for the Fund, resulting in an end-of-year balance of $2.46 billion.

"The Board of Retirement is very pleased with last year's overall performance," said Norman Briggs, the Board's current chairman. "We continue to see evidence of improving markets, which gives us hope for future investment returns. With cautious optimism, I'd say things are looking up."

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Eileen Neill, managing director at Wilshire Associates Inc., KCERA's investment consultant, agreed: "The KCERA Fund was once again rewarded for maintaining a high degree of diversification in terms of asset classes and strategies, which has been historically beneficial.

Fund Performance as of December 31, 2009

1 Year	23.23%
3 Years	-3.10%
5 Years	2.74%
10 Years	3.45%

In This Issue

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A Little "Financial TLC"

We are all familiar with the meaning of TLC—"tender loving care." But the term could also apply to tending our finances as the medical demands of older age tap our finances.

One form of "financial TLC" is called long-term care (LTC) insurance. LTC policies help you plan against future financial hardship if you are one day afflicted by a debilitating, long-term condition, such as a stroke, Alzheimer's disease or Parkinson's disease.

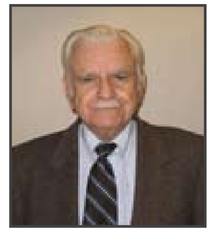
When such a degenerative illness occurs, family members often turn to institutions such as nursing homes and assisted-living facilities to care for their loved one. Unfortunately, institutional, "custodial" care involving non-skilled assistance with health and support services (e.g., dressing and eating) is not covered by traditional medical insurance and can result in large expenses in a short period of time.

It is commonly believed that Medicare will pay for most LTC services needed, but it will not. Even Medicaid, the largest payer of LTC services, will not cover all expenses. (Most people will not even qualify for Medicaid due to income or asset levels.)

So, will you require long-term care services? Statistically, the answer is *yes*. A 65-year-old will require about three years of long-term care in his/her lifetime. Based on the 2008 national average, one year in a nursing home with a semi-private room costs $68,000, whereas a home health aide visiting three times a week costs nearly $18,000. In either case, long-term care expenses can increase rapidly—and eat away at your retirement income and family savings.

Will an LTC illness affect you? Probably so. Studies show that 70% of individuals over age 65 will require some type of LTC services during their lifetime. Over 40% will need care in a nursing home at some point. Given these odds, LTC planning is an important component of your overall retirement planning.

For more information about long-term care, visit longtermcare.gov or medicare.gov.



In Honor of Claude Fiddler

Claude Fiddler, former chairman of the Board of Retirement, died on December 30.

Mr. Fiddler was appointed to the Fifth Member seat and served as trustee from 2002 to 2008. He was known for his humor, leadership and commitment to a job well done.

During his 32-year career at Chevron, he helped revitalize Kern County's oil industry. He also invested himself in local charities, especially the Golden Empire Gleaners.

"Claude was a distinguished trustee who made valuable contributions to the Board and those around him," recalled KCERA Executive Director Anne Holdren. "He will be greatly missed in the community."

Frequently Asked Questions • Frequently Asked Questions • Frequently Asked Questions

Q: What are common "special pays" that count toward FAC?
A: One of the factors used to calculate your retirement benefit is final average compensation (FAC). Your FAC will include all pensionable earnings: your base salary and eligible "special pays." Not all special pays count toward FAC, but most do. Some common pays that could be included in FAC are longevity, standby, bilingual, physical fitness, holiday, on-call, "6% premium," and uniform and tool allowances. However, overtime pay and expense reimbursements are not considered pensionable earnings.

2008-09 Annual Report

KCERA produces an annual report that highlights relevant data from the prior fiscal year's Comprehensive Annual Financial Report (CAFR). In FY 2008-09, several notable changes occurred, including:

- KCERA's total assets decreased by 21.87% (net of fees), or $686 million, due to a difficult market environment. KCERA's annualized rate of return (net of fees) was -4.72% in the past three years, 1.42% in the past five years, and 2.72% in the past ten years.

- Total member contributions increased by 21.0%, due primarily to phasing in higher rates for safety member, more members contributing after attaining five years of retirement service credit and salary increases.

- Employer contributions totaled $138.8 million; employee contributions totaled $18.2 million; and pension benefits paid totaled $159.9 million.

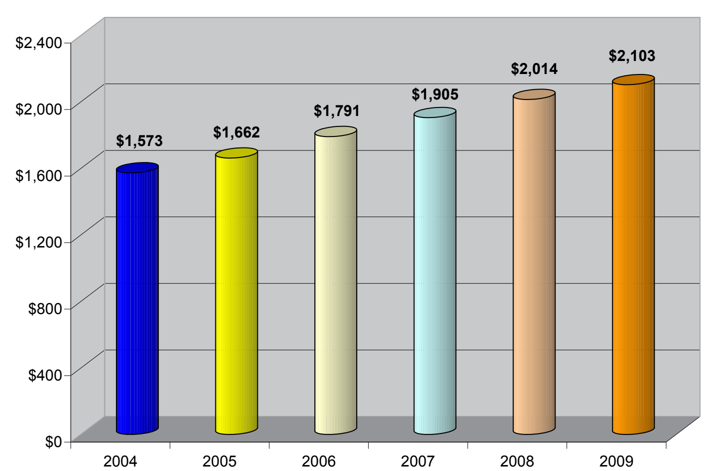
- The average retiree and beneficiary pension benefit increased by 4.4% to $2,103 per month.

- The Board of Retirement voted to reduce the assumed investment rate of return from 8.00% to 7.75%, effective July 1, 2009. This change reflected the expectation of KCERA's actuary and investment consultant that an average 7.75% rate of return was more reasonable to achieve in the long term than the higher rate.

For more information, review the enclosed Annual Report or view KCERA's 2008-09 CAFR online at www.kcera.org.

Average Monthly Benefit Amounts

(for fiscal years ended June 30)



Upcoming Events & Important Dates

Investment Board Meetings

April 14
May 19 (combined)
June 9

Regular Board Meetings

April 28
May 19 (combined)
June 23

Benefit Payment Mailings

April 26
May 24
June 24

Retirement Planning Seminar

June 17, 2010
Board Chambers
1115 Truxtun Ave., 1st Floor

The Board of Retirement meets at 1115 Truxtun Ave. in the multi-purpose room located on the third floor.

2010 Board of Retirement

Sign Up for Retirement Seminar

Use this form to sign up for the next retirement planning seminar.

Name				SSN (Last 4 Numbers) — —
Address				
City		State		Zip Code
Home Phone	Work Phone		Dept. Name/Number	

Please add my name to the reservation list for the retirement planning seminar to be held:

☐ June 17, 2010 ☐ December 2010

Mail reservation form to: KCERA 1115 Truxtun Avenue Bakersfield, CA 93301	You can also e-mail your reservation to servicerep@kcera.org or fax your reservation to (661) 868-3779.	Retirement planning seminars are designed for members within five years of retirement. Attendance at seminars is limited to about 130 people. Make your reservation early to ensure a seat at the next seminar.