



Actuarial Experience Study 2014: Where KCERA's Past and Future Converge

If you are a long-time reader of the *Retirement Chronicles*, you might have noticed that we regularly refer to actuarial studies, reports and valuations. Every year we publish articles about the Board of Retirement adopting various recommendations from its actuary. If you have concluded from these articles that actuaries are critical to the business of retirement, you're right!

The Job of an Actuary

Actuaries are expert statisticians who use past experience, future expectations (assumptions) and mathematical algorithms to estimate the long-term costs of a pension plan. An actuary then determines how much in plan assets are needed *today* to cover the plan's *future* liabilities. Using KCERA as an example, an actuary would calculate how much it would cost to pay lifetime benefits to *all* of KCERA's vested members. Then, the actuary would recommend employer and employee contribution rates to match the price tag estimate.

Another vital responsibility of an actuary is to make "realistic" assumptions about the future. There are *economic* assumptions, such as inflation rate, investment rate of return and "across the board" salary increases. There are also *demographic* assumptions, such as KCERA members' mortality rates, termination rates, retirement rates, individual salary increases, and more. All of these assumptions enable an actuary to estimate KCERA's future assets and liabilities.

Experience & Assumptions

Actuarial assumptions are largely based on the past experience of KCERA members. As experience changes over time, assumptions can and should change to reflect shifting demographic trends and economic conditions.

These long-term shifts are reflected in triennial "experience studies" in which KCERA's actuary analyzes recent data (experience) and recommends changes to prior assumptions. The actuary attempts to align these assumptions with reality as closely as possible using the best available data and statistical models.

Assumption Changes

KCERA's actuary, The Segal Company, recently completed an Experience Study for the period July 1, 2010 to June 30, 2013. They recommended — and the Board adopted — demographic assumption changes to the rates of service retirement, mortality, termination, disability incidence and individual salary increases. The Board also adopted one significant economic assumption change: reducing the investment rate of return from 7.75% to 7.50%.

The newly adopted assumptions will be incorporated into the next actuarial valuation, which will report the costs accrued in fiscal year 2013-14. In the valuation, Segal will recommend contribution rates for each plan sponsor. These rates must be adopted

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New KCERA Website

In early 2014, Executive Director Gloria Domínguez directed staff to overhaul KCERA's 15-year-old website. After interviewing potential design firms, KCERA hired Bakersfield-based Fluxar Studios, Inc. to design and develop the new site.

The goal was to provide KCERA members and the public with a professional-looking website that included simpler navigation, easier-to-read content, user-friendly web tools and eventually a Member Web Portal.

"Our existing website presents many problems for users," explained Josiah Vencel, who heads KCERA's communications division. "Though it might have been adequate a decade ago, the site has become increasingly difficult to use, read, navigate and update. I was thrilled to receive the go-ahead to overhaul it."

Vencel was assigned to manage the website redesign. He began by rewriting all of the site content and adding additional content for the benefit of members. Vencel also created a new site map and worked with I.T. Manager Brenda Greenwood to address technical issues.

KCERA has been pleased with the website's progress so far. The homepage and internal page designs have been approved by management, and Fluxar is now programming the back end of the pages. KCERA hopes to launch its new website by December. Stay tuned!



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Hey Retirees ...

Go “Paperless” to Win a Sweet Prize!



Do you want to **de-clutter** your mailbox, go “**paperless**,” help KCERA **save money** and be entered to **win a sweet prize**? Soon you can with **KCERA's Electronic Remittance Program!**

On the day you would normally receive your payment remittance in the mail, KCERA's bank (Wells Fargo) would send you a secure email that takes you to a secure website where you can view and print an electronic version of your remittance. It's simple, safe and fast!

In a few weeks, KCERA will mail an *Electronic Remittance Request Form* to all retirees. Those who return completed forms by November 12 will be entered into a random drawing to win one of five prizes donated by Wells Fargo! Look for the mailing later this month.

KCERA Appoints New ASSISTANT EXECUTIVE DIRECTOR

Last November, Gloria Domínguez was appointed by the Board of Retirement as KCERA's Executive Director, a promotion from her prior role as Assistant Executive Director (AED). The AED position, which has historically functioned as an operations officer for KCERA, has expanded in recent years to include more support functions for the Board of Retirement. The AED can also serve as an interim successor to the Executive Director until the Board of Retirement makes a permanent appointment.

The AED seat remained vacant for the first half of 2014. At July's board meeting, Ms. Domínguez announced the appointment of Mel Fleeman as KCERA's new Assistant Executive Director.

Mr. Fleeman joined KCERA after serving as Director of Pension/Retirement at Community Medical Centers in Fresno. Prior to this, he was the 401(k) advisor at YP.com, Benefits and Pension Manager at Ameron International Corporation, and Retirement Program Manager at Tetra Tech, Inc.



Mr. Fleeman was chosen as the new AED following a nationwide recruitment effort. In the end, he was hired due to his management experience and in-depth knowledge of retirement plans. "We believe Mel will be an asset to KCERA and its membership in the years ahead," said Ms. Domínguez.

Please join KCERA in welcoming Mr. Fleeman! If you have any suggestions or comments about KCERA's member service, please email him.

UPCOMING EVENTS

Board of Retirement Meetings:

October 8
November 5
December 10

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

KEEP PERSONAL INFO **UPDATED**

It is important to keep your personal information updated to ensure your KCERA benefits continue to you (or your beneficiary) without interruption. To update your name, address, "direct deposit" or tax-withholding information, you must complete a *Change Request Form* and return it with valid photo identification. If you need to designate a new beneficiary due to marriage, divorce or death, please complete a *Beneficiary Designation Form* and return it with relevant legal documents.

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

Your Retirement Checklist



Even if you are not a “checklist person,” you may find the following list of to-do’s helpful as you plan for your last year of employment.

6-12 Months Before Retiring

- Select a retirement date. A retirement services representative can advise you on picking a date that will maximize your future benefit.
- Obtain a benefit estimate. You can receive an official benefit estimate from a retirement services representative or an unofficial estimate using the Online Benefit Estimator.
- Contact Health Benefits. If you plan to purchase retiree health insurance through your employer, contact that department to discuss your options and costs.
- Contact your department. If you have unused sick leave and vacation hours, you can take a lump-sum payout, roll over the funds to a qualified account, or apply vacation hours toward “terminal vacation.”
- Submit divorce documents. If your ex-spouse has a community property interest in your KCERA benefit, provide a copy of your Judgment, Joinder and Domestic Relations Order.

2-3 Months Before Retiring

- Choose a retirement option. When you retire, you will elect one of five retirement options, each of which provides a different monthly payment and survivorship benefit. A retirement services representative can tell you about the pros and cons of each option.
- Complete a retirement application packet. Return your completed packet, including all requested documentation, within 60 days of your retirement date. If you are planning to go on terminal vacation, submit the forms when your vacation begins.
- Prepare your finances. Depending on when you retire, there may be an interim “unpaid” period (i.e., a few weeks) before you receive your first benefit payment. Plan accordingly.

1 Month Before Retiring

- Tie up loose ends. Confirm that all loose ends with KCERA, Health Benefits, your department and Deferred Compensation have been tied up.

If you have any questions or would like additional information about the retirement process, please contact a retirement services representative by calling (661) 381-7700 or emailing servicerep@kcera.org.

Experience Study *(continued from page 1)*

by the Board of Retirement and the governing board of each plan sponsor before taking effect in the next fiscal year. KCERA will publish the 2014 actuarial valuation when it becomes available.

Editorial Correction

The July newsletter included a chart showing a total of 5,789 General Tier I (“3% at 60”) retirees as of June 1, 2014. This benefit formula took effect on January 1, 2005. Prior to that date, approximately 2,300 general members retired under older benefit formulas.

Contact KCERA

Kern County Employees’ Retirement Association
11125 River Run Blvd. Bakersfield, CA 93311
Ph: (661) 381-7700 / Toll Free: (877) 733-6831
Fax: (661) 381-7799 / Web: www.kcera.org

