



Tulare County Employees' Retirement Association

# Pension Progress

Phone: (559) 713-2900

[www.tcera.org](http://www.tcera.org)

Keeping Members Informed

Volume 17, No. 1 March, 2016

## Recent TCERA Investment Results

*By: Verus Investments (TCERA's Investment Consultant)*

During the latter part of 2015, domestic equities finished the year strong, as the S&P 500 returned 7.0% in the 4<sup>th</sup> quarter. Unfortunately, that momentum did not carry over into the 1<sup>st</sup> quarter of 2016. In fact, it seemed as though a switch from risk-on was flipped to risk-off at the start of the New Year because January 2016 was one of the worst on record as the S&P 500 fell 5.0%. This slide in performance follows several developments that have dampened investor enthusiasm.

First, the Fed raised rates in December for the first time in nearly a decade. This was largely expected, and while we can't completely blame the small rate hike for the drop in the domestic equity markets, many investors questioned the wisdom of the Fed's decision in the face of lackluster economic indicators.

Second, the U.S. dollar rose to a position of strength not seen since 2003. An appreciating U.S. dollar is creating headwinds for domestic investors with unhedged international equity positions as the translation from the foreign investment back to USD terms is erasing some of the gains.

Third, commodity prices, led by falling oil prices, continued their downward trend. Lower commodity prices are creating problems for many nations, particularly in the emerging markets, where commodity production is often the main source of national revenue

Finally, slowing economic growth in China is being felt beyond its borders as the Chinese economy makes up more than half of the global economic growth.

Combined, these events created a challenging environment for TCERA, as the investment portfolio returned -3.9% after investment manager fees for the first six months of the current fiscal year. Over the last three-year period, the Plan averaged a 5.6% annual return, while the trailing five-year period brought an average annual return of 5.5%.

The biggest detractor from the TCERA's performance so far this fiscal year has been international equity which returned -9.8%. Commodity investments also detracted from total portfolio performance given the downward trend in oil prices. Real estate has been a bright spot for the Plan as that component of the portfolio returned 6.4% since the beginning of the fiscal year.

In times of heightened volatility, it is important to focus on the long run and remain disciplined to the long-term strategy laid out in TCERA's investment policy. We continue to monitor the market for dislocations which may provide investment opportunities for the Plan. So far since the beginning of 2016, the TCERA Board of Retirement has conducted an investment strategy review and an asset allocation study to evaluate the current investment program. Finally, the Plan has hired a new hedge fund manager to bring that portfolio allocation up to policy targets and will also look to hire two new private equity managers in an effort to increase the portfolio's return potential.



## Retiree COLA Increases Approved

The Board of Retirement has recently approved a recommendation to provide a cost-of-living-adjustment (COLA) for all retired members of the Tulare County Employees' Retirement Association (TCERA). The increase is effective April 1<sup>st</sup> which means that retirees will **first see the increase on their pension checks dated April 30, 2016**. Due to the rise in the Consumer Price Index (CPI) for the period ending December 31, 2015, this year's COLA will again vary depending on each retiree's membership tier and date of retirement. The percentage of increase is as follows:

<b>Tier I members retired on or before 4/1/1982</b>	<b>3%</b>
<b>Tier I members retired from 4/2/1982 through 4/1/2016</b>	<b>2%</b>
<b>All other members retired through 4/1/2016</b>	<b>2%</b>

Because the change in the CPI was equal to 2%, some Tier I retirees may also see a decrease to their Supplemental COLA amounts granted by the Board of Retirement. The Supplemental COLA helps to keep pension purchasing power at no less than 85% of each member's original retirement allowance. As rising inflation erodes the strength of the retirement benefit, the Supplemental COLA is applied and acts as a cushion to soften the reduction in purchasing power. As indicated above, the Supplemental COLA is only applied to those pensions that have lost more than 15% of their original purchasing power.

Retirees should also remember that all benefits paid from the Supplemental Retiree Benefit Reserve, including Supplemental COLA amounts, are **not** guaranteed. Supplemental benefits can be reduced or terminated at any time by action of the Board of Retirement. In addition, supplemental cash benefits paid from the SRBR by TCERA **do not** receive the COLA increase. Should you have questions as to how your new monthly amount will be calculated, feel free to contact the Retirement Office for information.

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## Keep Your Beneficiary Information Current!

Both **active and retired** members of TCERA are reminded to keep close track of the information related to your named beneficiary. The beneficiary form completed for the TCERA retirement plan provides our office with the name of the person that is to be paid your retirement funds in the event of your death. The person(s) named as your beneficiary may be entitled to receive a single lump-sum payment or could qualify for a lifetime pension depending upon their relation to you, the length of your service under the retirement plan, or, if you're retired, the benefit option chosen by you. As a result, keeping your beneficiary record current with TCERA is very important. Key events that should make a plan member think about updating her/his beneficiary information include: marriage, divorce, birth/adoption of a child, and death of a beneficiary.

Even if you do not wish to change the name of your beneficiary, keeping current the contact information pertaining to that person (address, telephone number, etc.) is critical in order for TCERA staff to reach your survivor in a timely manner when it becomes necessary to do so. We recommend that at least annually you check to make sure that your beneficiary data filed with TCERA is accurate. Keep in mind that TCERA is separate from other employee benefit offices and that beneficiary forms filed with other offices of your employer **will not** be accepted by TCERA.

It is also important to remember that, due to the Community Property laws of California, your spouse (and in some cases your minor children) may have rights to your pension benefits that supersede others you have named as beneficiaries. Feel free to contact the Retirement Office at (559) 713-2900 should you have questions regarding your beneficiary. You can also request a "Change of Beneficiary" form from our office or download it from TCERA's website at [www.tcera.org](http://www.tcera.org).

## 2016 Board of Retirement Trustees

**Roland Hill, Chair**

- elected by General members

**Gary Reed, Vice Chair**

- appointed by Board of Supervisors

**Rita Woodard**

- County Treasurer

**Frank Embrey**

- elected by General members

**Wayne Ross**

- appointed by Board of Supervisors

**Hiley Wallis**

- alternate for County Treasurer

**Patricia Crawford**

- elected by Retired members

**Philip Cox**

- appointed by Board of Supervisors

**Jan Taylor**

- alternate elected by Retired members

**Mike Watson**

- elected by Safety members

**Jim Young**

- appointed by Board of Supervisors

**Charlie Norman**

- alternate elected by Safety members

## TCERA and Your Social Security Benefits

The Retirement Office staff often receives questions about the impact your TCERA retirement benefits might have on benefits you will also be eligible to receive from Social Security.

Generally the questions regarding Social Security and the TCERA retirement plan fall into three major areas of concern:

- 1) How do these dual benefits impact me as a county or outside district employee?
- 2) Do our TCERA pensions reduce our Social Security benefits?
- 3) Does the federal "Windfall Elimination Provision" apply in California?

Many of these issues pertain to Social Security Administration provisions and not just to the specific state laws that govern the Tulare County Employees' Retirement Association. As a result, you are encouraged to contact the Social Security Administration for additional information regarding these matters.

Our response to the first two questions is that Tulare County and outside district employees pay into both Social Security and TCERA so that at some point you will be able to retire from both systems and receive retirement benefits. Pension payments made to you from TCERA will not reduce the amount you receive from Social Security.

However, there are current TCERA members for whom "The Windfall Elimination" (SSA Publication #005-10045), or the "Government Pension Offset" (SSA Publication #05-10007), provisions create a possibility that retirement benefits received as a result of work with a government entity **might** impact the amount of your Social Security benefits.

We emphasize the word "might" because, as stated in both the Windfall Elimination and Government Pension Offset publications, the social security benefit reduction is based **upon work for an employer who doesn't withhold Social Security taxes**. Tulare County (and the outside district employers that belong to TCERA) **do** withhold Social Security taxes from their regular employees. As a result, a pension earned **solely on work with Tulare County would not currently have an impact on the benefits you might also eventually receive from Social Security**.

Some members of TCERA, however, have come to us with previous service earned from an employer that **does not** participate in Social Security. A few examples of these employers include the California State Teachers, the State of California and some of the larger local government employers such as the City and County of Los Angeles, the County of Orange and others. Pension benefits earned as a result of service with these government agencies may reduce the Social Security benefits for employees who retire from these agencies. *(Continued on last page.)*

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## **TCERA and Your Social Security Benefits** *(Continued from 3<sup>rd</sup> page.)*

The Windfall Elimination Provision publication also indicates that there are a variety of ways that those people who would otherwise be impacted by the reduction in Social Security benefits might still be exempted from the current rules. One way to avoid a reduction in Social Security benefits is to have 30 or more years of “substantial earnings” under Social Security. Because Tulare County does withhold Social Security taxes from the pay of its regular employees, your service with Tulare County should count towards the 30 years of substantial Social Security earnings.

As stated above many of the issues raised here are related to the administration of Social Security benefits rather than those of TCERA. If you are concerned that any of the Social Security reductions might apply to you we urge you to obtain additional information about your individual work history from the Social Security Administration. We encourage you to visit their website at [www.ssa.gov](http://www.ssa.gov).

### **Your Input Counts!**

Please let us know if *Pension Progress* is providing articles that are of interest to you. If you have certain topics you would like to see as articles in *Pension Progress*, or if you have any questions regarding the current articles, please contact TCERA's Administrator, David Kehler at [dkehler@tcera.org](mailto:dkehler@tcera.org) or:

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You can also submit individual electronic inquiries by using the “Ask an Expert” tab located on TCERA's website Home Page at [www.tcera.org](http://www.tcera.org).