



Tulare County Employees' Retirement Association

Pension Progress

Phone: (559) 713-2900

www.tcera.org

Keeping Members Informed

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Fiscal Year 2017 Investment Results

The theme of the most recent period has been synchronized global growth where economies around the world, both developed and emerging, have begun to accelerate. A confluence of low inflation, higher employment, improving consumer and business sentiment, and a relatively accommodative central bank policy may lead to a unified global expansion. Although the U.S. is further along in its economic cycle than others throughout the world, there isn't an overwhelming indication of the economy overheating. This suggests the current expansion may have more room to run.

Domestic equities continued their upward trend through the most recent quarter extending the S&P 500's streak to seven quarters of positive performance in a row. Robust earnings growth contributed to the move upward. Energy companies are expected to provide a lift to overall growth due to a low earnings base a year ago and stabilizing oil prices. Also fueling the optimism has been consumer sentiment. Consumer sentiment indicators have trended downward from post-election highs but remain elevated from a historical perspective.

International equities also moved higher and outperformed domestic equities over the most recent quarter. The U.S. dollar has steadily depreciated in value year-to-date against major currencies which helps unhedged performance for U.S. based investors. Additionally, international equities are trading at lower multiples than U.S. equities which translates into greater potential on the upside through valuation expansion or positive earnings growth.



TCERA closed out the fiscal year on a high note returning 11.5% after investment management fees, outperforming the policy benchmark and exceeding the actuarial assumed rate of return. Over the trailing 3-year and 5-year periods, the Plan averaged 3.5% and 7.7% respectively. Shouldering the load over the period was the performance of equities, both domestic and abroad. The Plan's domestic equity component returned 19.5% for the year and the international equity segment appreciated 20.8%. Also contributing to performance is the Plan's fixed income portfolio. While the portfolio returned a moderate 3.0%, it significantly outperformed the benchmark which moved in the opposite direction, -0.3%. The fixed income portfolio benefitted from exposure to high yield bonds and global bonds. Lastly, real estate performance continued to moderate but still managed a 4.8% return contribution to the portfolio over the fiscal year.

TCERA has been diligently improving its investment strategy and implementing several components in the recent periods to meet its investment objectives. First, the Plan hired a new hedge fund manager to bring the portfolio up to policy targets. Second, TCERA added two new private equity managers to increase return potential. Third, a new private credit allocation was made at the policy level and a manager was hired to fulfill that assignment. While the tone is positive and the outlook is optimistic, it is important to avoid complacency and remain disciplined to the long-term strategy detailed in the Plan's investment policy.



Temporary Annuity Benefits Can Help You Retire Early

In planning your retirement, members of the Tulare County Employees' Retirement Association (TCERA) may wish to consider the Temporary Annuity Benefit feature of the retirement plan. The Temporary Annuity Benefit, or T.A.B., allows plan members to retire and augment their basic retirement allowance with additional funds up to the time they first become eligible for Social Security, that is, to age 62. The T.A.B. can be especially valuable to those members who wish to retire at a relatively young age but are concerned that the basic TCERA benefit may be insufficient to meet their needs.

CAUTIONS: While the T.A.B. can be a great way for members to receive additional retirement amounts until first eligible to receive Social Security, there are a few areas of caution to take into consideration:

- 1) **The T.A.B. does not replace the Social Security estimate on a dollar-for-dollar basis.** The TCERA staff uses your Social Security estimate as a base for calculating what you can receive under the T.A.B. The younger you are at retirement the lower the T.A.B. amount will be. This is because you will receive the Temporary Annuity Benefit for a longer period of time. However, when you reach age 62, the TCERA retirement amount will be reduced by the entire Social Security amount used to calculate the T.A.B. Make sure, therefore, that your Social Security estimate is accurate if you are considering the T.A.B.
- 2) **The T.A.B. is not offered to members who retire on a disability retirement.** Nor is it paid to survivors. If you die prior to reaching age 62, your qualified beneficiary will receive a continuance based upon the provisions of the option you selected at retirement without the T.A.B.
- 3) **A detailed estimate provided to you by the Social Security Administration may require the payment of a fee.** TCERA members can calculate a ball-park estimate of future Social Security amounts by using the SSA estimate calculator on the Social Security Administration website at www.ssa.gov. However, the best way to obtain a detailed and accurate figure of your future Social Security retirement benefits is from the local Social Security office. **Make sure that any Social Security estimate you provide to TCERA for the T.A.B. calculation is completed by SSA within 60 days of your TCERA retirement date.**
- 4) **You may not need the T.A.B.** Don't forget that TCERA also pays supplemental retirement amounts (over and above the basic allowance) based upon years of service earned with our retirement plan. In planning your retirement, be sure to ask TCERA staff for the amount of supplemental benefits you will also receive. Although the supplemental benefit amounts are not guaranteed to last for your entire life as a retiree, you may find that the combination of TCERA basic and supplemental amounts may be enough to meet your needs. You can then enjoy receiving your Social Security amount at the proper time without having a reduction in your pension from TCERA.

Additional Caution: *Although TCERA will pay the higher T.A.B. pension benefit through the end of the month in which the retiree turns age 62, we cannot guarantee that Social Security benefits will start in the month that follows. It is possible that some members will experience a gap between when the increased payment from TCERA ends and the Social Security amounts begin. Members are strongly cautioned to contact the Social Security Administration regarding the date on which you will receive your first Social Security check in determining whether or not the T.A.B. option is right for you.*

The Temporary Annuity Benefit retirement option can be complicated and requires information to be provided by you. TCERA staff advises members to use the ball-park Social Security estimator first in order to determine if the T.A.B makes sense for you. If it does, then you should visit with the Social Security office staff for assistance in obtaining a more accurate calculation of your future Social Security benefits when you are ready to retire. This will ensure that when your TCERA retirement benefits are reduced and your Social Security starts you are not receiving less than what you anticipated. Please feel free to contact the Retirement Office with any questions you may have.

What Is the Board of Retirement?

The Tulare County Employees' Retirement Association (TCERA) functions under the provisions of those sections of the California Government Code known as the "County Employees' Retirement Law of 1937" (or '37 Act). One of the purposes of the '37 Act is the establishment of a "Board of Retirement" to oversee the operations of the retirement plan. In Tulare County, the Board of Retirement consists of nine voting members. Four of these individuals are appointed by the Board of Supervisors, two are elected by General plan members, one is elected by Safety plan members, one is elected by retirees, and the final member is the County Treasurer. Alternate Board members can also be elected or appointed to serve in the absence of the regular Retiree member, the Safety member and the Treasurer. All Board members (except the Treasurer) serve for three year terms and then have to be re-appointed or re-elected in order to continue serving on the Retirement Board.

Board members are also referred to as "Trustees" and are responsible for the overall health of the retirement plan and for those amounts that are held in trust for the plan members. As trustees, Board members have a fiduciary relationship with plan members (employees and retirees of Tulare County and TCERA's other plan sponsors). Retirement Board members have a wide variety of responsibilities to the plan and plan members. Several of these duties are described in the California Constitution. One of these sections reads:

"Members of the Retirement Board of a public or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty."



In order to fulfill their fiduciary responsibilities, Board of Retirement members must address issues related to investment of the funds in the retirement plan, approve an annual administrative budget for the Retirement Office, as well as conduct and approve studies impacting employer and employee contribution rates. The Board approves service retirement benefits and takes action on applications for disability retirements. It seeks to establish educational programs and materials to better inform plan members of the structure and benefits of the retirement plan and to hire competent staff to assist in accomplishing the goals and objectives of the Retirement Board.

Given the wide-range of duties and responsibilities, the Board of Retirement is in a unique position to administer the retirement plan on behalf of the plan participants and plan sponsors. The mixture of County appointed members and employee elected members allows the Retirement Board the opportunity to consider all sides prior to making decisions impacting the long-term health of the Retirement Association. The Board of Retirement generally meets on the second and fourth Wednesdays of each month at the TCERA Offices. The general public is welcome to attend all meetings of the TCERA Board of Retirement.

TCERA offers its members the opportunity to speak with our staff in order to assist you with selecting a retirement date, choosing the best retirement payment option for you, calculating the amount of tax withholding, setting-up direct deposit of your pension checks and many other issues that need to be decided when you retire. Please contact our office at (559) 713-2900 if you would like to make an appointment to meet with a Retirement Specialist.

**Tulare County Employees'
Retirement Association**
136 N Akers Street
Visalia CA 93291

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Visalia CA
Permit No. 50

Phone: (559) 713-2900
Fax: (559) 730-2631



TCERA Responds to Frequently Asked Questions

Q. I'm planning to retire at the end of the year. How can I avoid paying a lot of taxes on my sick leave and vacation time payoffs.

A. One way may be to delay your effective date of retirement into the next calendar year. By retiring at the end of the year you will not only have nearly an entire year of regular earnings (usually at the highest rate you've earned in your career) but also the payout of your sick leave and vacation balances. Combined, these amounts could very easily place you into a higher tax bracket. However, if you were to delay your retirement into the first few weeks of the new year, your vacation and sick leave payoffs will be combined with your retirement income which is normally **lower** than what you earned as an active employee. Since your income is kept lower by delaying your retirement date, the amount of taxes you would have to pay should also be lower. (Finding a good tax advisor or preparer can also help!)

Q. How much notice do I have to give TCERA before I retire?

A. The retirement laws governing our plan do not allow our office to accept a signed retirement application more than 60 days **before** your actual date of retirement. We normally encourage members to schedule an appointment with our office about 30 days before you plan to retire. But remember that you are always welcome to schedule an appointment to meet with a Benefit Specialist to discuss your retirement options and benefits. We are here to serve you in planning for your big day!