



Tulare County Employees' Retirement Association

Pension Progress

Phone: (559) 713-2900

www.tcera.org

Keeping Members Informed

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2017 Investment Results

By: Verus Investments (TCERA's Investment Consultant)

Synchronized global economic growth continued through the end of 2017 and into the beginning of 2018, providing optimism as GDP forecasts have trended higher, most notably in the Eurozone and emerging market economies. In the U.S., core inflation ticked up to 1.8% at the end of 2017 but remains low relative to historical standards. Unemployment has also improved, as the headline figure decreased to 4.1%, which is the lowest level in 17 years. Consumer confidence has also moved up and in February reached the highest reading since December 2000.

With many positive signals of strength throughout the economy, it is expected that the Fed will increase rates three times in 2018. The media has shifted its narrative by focusing less on the sluggishness of the U.S. economy and low level of inflation to a perspective that is now concerned with the potential for an overheated economy, spiking inflation, and whether the Fed will be able to keep these concerns in check without stunting the economy's growth. Despite the media's concern, 2017 was a good year for institutional investors.

Driven by strong performance in the equity markets, TCERA's Plan finished calendar year 2017 up 13.9%, after investment management fees. In fact, all asset classes within the Plan's portfolio appreciated over the calendar year. For the first half of the fiscal year, the Plan is up 6.9%, which is a solid pace to achieve the actuarial assumed rate of return. Considering longer time horizons, the Plan rose 6.3% and 7.5%, net of fees, over the trailing 3 and 5-year periods, respectively. The US equity portfolio within the Plan returned 21.9% for 2017 and the international equity component of the Plan delivered 26.5% over the same period. Also surging was the Plan's water focused investment, which returned a stellar 32.6%. Although contributions from fixed income and real estate were relatively small compared to equities, these asset classes provided positive returns of 3.9% and 4.3%, respectively over the calendar period.

The Plan continues to diligently monitor its investment strategy and evaluate new and potential investment opportunities. Recently, TCERA implemented private equity and private credit assignments and is currently in the process of ramping up activity as the investment managers are sourcing investments and deploying capital. While the tone is positive and the outlook optimistic, it is important to avoid complacency and remain disciplined in the pursuit of the long-term strategy detailed in the Plan's investment policy.

2018 Board of Retirement Trustees

Roland Hill, Chair
- elected by General members

Patricia Crawford
- elected by Retired members

Wayne Ross
- appointed by Board of Supervisors

Mike Watson, Vice Chair
- elected by Safety members

Jan Taylor
- alternate elected by Retired members

Jim Young
- appointed by Board of Supervisors

Charlie Norman
- alternate elected by Safety members

Gary Reed
- appointed by Board of Supervisors

Cass Cook
- County Treasurer

Vacant Seat
- elected by General members

Pete Vander Poel
- appointed by Board of Supervisors

Paul Sampietro
- alternate for County Treasurer

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 1st which means that retirees will **first see the increase on their pension checks dated April 30, 2018**. Due to the rise in the Consumer Price Index (CPI) for the period ending December 31, 2017, this year's COLA will result in an increase that depends on each retiree's membership tier. The percentage of increases are as follows:

All Tier I members retired on or before 4/1/2018 3%

All Tier II, III and IV members retired on or before 4/1/2018 2%

Because the change in the CPI was greater than 2%, those retirees eligible, will also see an increase 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.

Keep Your Beneficiary Info 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, or persons, 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.

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.

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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.

“Defined Benefit” or “Defined Contribution” Retirement Plan?

How familiar are you with the structure of the retirement plan you have with the Tulare County Employees' Retirement Association (TCERA)? Do you know that the TCERA plan is distinct from the retirement programs offered though most private sector employers? What are the differences and how do they impact you as a TCERA member?

There are a large number of retirement programs available for employers to offer to their employees (or for individuals to participate in on their own), but nearly all of them fall into one of two major categories – “Defined Benefit” plans or “Defined Contribution” plans. In the following paragraphs we briefly describe each of these:

TCERA is, without a doubt, a **Defined Benefit** pension plan. A Defined Benefit retirement program is one that uses a formula to calculate the benefit amount that the member will eventually receive. This formula can include any number of factors. For TCERA the key factors in calculating a service retirement amount include: membership type (i.e. Tier and whether you are a General or Safety employee); age at retirement; years of service with the retirement plan; and final average salary. Member contributions do not play a role in determining what the eventual retirement amount will be but are important in that they help pay for part of the person's retirement allowance. Even so, it is the other factors that determine the size of the monthly pension benefit. In the public sector, California courts have held that the defined benefit retirement benefit programs offered to employees are similar to a contract. Another feature of a defined benefit plan - like TCERA – is that the pension is payable for the life of the individual who earned it. Common criticisms of Defined Benefit programs are that they can be expensive for the employer and that employees who terminate without receiving a pension benefit only get back what they contributed into the plan plus interest.

A **Defined Contribution** retirement program is one in which the individual makes contributions into their own separate retirement account. The employer may or may not also contribute into each employee's account in order to assist the employee in reaching his/her retirement goal. The employee has the responsibility for making investment decisions with the primary goal of “growing” the account to a level that is high enough to allow the employee meet her/his retirement objectives. As a result, employees who are diligent and make wise investment decisions can be greatly rewarded by a Defined Contribution plan. Benefits paid to the retired employee are often made in the form of an annuity but can also be paid in a lump-sum. The most common criticisms of Defined Contribution plans are that increased life expectancies make it possible for retirees to outlive the balance in their retirement accounts and that poor investment results may make it impossible for an employee to retire successfully. Examples of Defined Contribution programs include 401(K)s, IRAs and Tulare County's Deferred Compensation program.

Knowing the plan that will cover you in retirement is extremely important in planning for your future. Get to know more about TCERA by reviewing the information at our website (www.tcera.org), by attending our retirement planning seminars, and by contacting our office directly at (559) 713-2900.

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Retirement Board Elections Coming!

The TCERA Board of Retirement will soon be holding a special election for a Trustee seat recently vacated due to the retirement of Board member C. Frank Embrey. Mr. Embrey represented active General plan members for a term of office that will end as of December 31, 2019. The special election is needed to fill the vacancy for the remainder of the term of office. TCERA has sent out a notifications to all active General members of the need for the election and providing instructions to be followed by those who would like to fill the vacancy on the Board of Retirement. The special election will be held on July 10, 2018. The new Trustee will begin his/her duties on the Retirement Board as soon as the election results are confirmed.

Later this year, a regular election will be held to choose the other active General member representative to the Board. In addition, Retired members will have an election to select their regular Trustee as well as an alternate who serves in the Retired Trustee's absence. These elections are for terms of office that begin on January 1, 2019 and end as of December 31, 2021. Additional information regarding these regular elections will be provided at a later date.

All qualified TCERA members are encouraged to consider representing your fellow employees on the Board of Retirement. The hours can be long and the pay is definitely small, but the results can also be very rewarding. Active participation in the decisions and administration of the retirement plan is the best way to make sure that it remains secure and is able to meet the retirement needs of both current and future members.