



Tulare County Employees' Retirement Association

# Pension Progress

Phone: (559) 713-2900

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

Keeping Members Informed

March, 2020

## *A Word from your Retirement Administrator...*

### **75 Years Strong**

TCERA is celebrating a major milestone this year – seventy-five years of providing retirement benefits to the employees of Tulare County. On July 1, 1945, the Tulare County Employees' Retirement Association was established in order to provide retirement security for its members.

It took a lot of courage for the leadership at that time to set out on the path of creating a pension system from the ground up. Seventy-five years later TCERA has assets of approximately \$1.7 billion with over 10,000 members. TCERA distributes in excess of 3,300 pension payments totaling more than \$7 million each month. We've come a long way!



The goals that were set in motion seventy-five years ago have certainly come to fruition. This is no time to rest on our laurels, however. Charged with the ongoing administration of the plan, the Board of Retirement continues to work diligently to maintain a strong retirement system that is prepared for the challenges of the future. It is exciting to think about what the next seventy-five years will bring!

Leanne Malison  
Retirement Administrator

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### **Coronavirus – Retirement Plan Implications:**

As of the writing of this article, the Covid-19 coronavirus was beginning a slow spread in the United States and having an effect on personal and business activity throughout the world. Check our website and social media for ongoing information regarding the following:

**Market Turmoil** – Investments may suffer some increased volatility, including a major market correction. The Board of Retirement in association with its investment consultant is keeping a close eye on TCERA's portfolio.

**Business Disruption** – If the virus makes a strong showing in Tulare County, TCERA may experience staffing shortages. TCERA will make every effort to ensure that critical retirement processes are not delayed. Contact with members may be handled through mail and electronic means rather than in person in order to protect our staff and our members.

# Your Board of Retirement

## Welcome New Trustees!

Hopefully you all participated in the Board of Retirement trustee elections held in December. These elections resulted in three new trustees representing you on the Board of Retirement.

- **Laura Hernandez** – Trustee elected by General Members. Ms. Hernandez is employed by the County of Tulare as a Child Support Officer. She was recently appointed as the Chair of the Administrative Committee, taking on a significant role in her first year as trustee.
- **David Kehler** – Trustee elected by Retired Members. His name should be familiar to you as Mr. Kehler was the long-time Retirement Administrator for TCERA until his retirement in March of 2019. Mr. Kehler is also stepping into his trustee role with immediate additional Board responsibilities. He was recently appointed as Chair of the Investment Committee.
- **George Finney** – Alternate Trustee elected by Retired Members. Mr. Finney worked for Tulare County for over 40 years, retiring from the position of LAFCO Executive Director in 2008.

The following dedicated individuals complete the trustee roster:

Roland Hill – Trustee elected by General Members, Board Chair

Mike Watson – Trustee elected by Safety Members, Board Vice Chair

Pete Vander Poel – Trustee, Tulare County Supervisor

Cass Cook – Ex-officio Trustee

Gary Reed – Trustee appointed by Board of Supervisors

Wayne Ross – Trustee appointed by Board of Supervisors

Jim Young – Trustee appointed by Board of Supervisors

Paul Sampietro – Alternate Ex-officio Trustee

David Vasquez – Alternate Trustee elected by Safety Members

Board of Retirement trustees spend many hours preparing for meetings, participating in trustee education, and attending Board meetings all in an effort to ensure that your retirement plan will continue to be well-positioned to provide the benefits for which you have worked so hard. They are dedicated individuals with the plan's best interests at heart. When you see these trustees, please give them a big thank you.



*Thank You*



Update

## News from TCERA's Investment Consultant

A strong 4th quarter capped a strong year for global equities with the U.S. leading the charge. The S&P 500 Index delivered a total return of 31.5%, compared to 21.5% for stocks outside the U.S. The impressive showing came despite concerns about slowing economic growth and flat-to-declining corporate profits around the world. It is also worth noting that much of last year's performance was simply digging out from a very poor fourth quarter of 2018, when the S&P 500 fell 19.8% from its prior peak.

Whereas the disappointing fourth quarter 2018 performance was largely driven by the Fed admittedly raising interest rates too soon over concerns with nascent inflation, much of last year's recovery was driven by a policy reversal that saw the Fed lower rates three times for a total of a 0.75% reduction throughout the year. Falling rates provided a tailwind to a global economy otherwise hindered by uncertainty over the U.S./China trade dispute. Then in the fourth quarter, sustained progress was made on the trade front in the lead up to the Phase 1 trade agreement, which was signed on January 15th. Risk markets shot ahead, and Emerging Markets investments were the clear winner in the fourth quarter of last year and heading into this year as they benefitted the most from the cessation of trade hostilities.

The Plan performed well in absolute terms in this environment, earning 15.7%, gross-of-fees, for the 2019 calendar year, and 5.3% for the first half of the current fiscal year. As one would expect given their high returns, public market equities were the top contributor to the total plan return for the calendar year and were in line with the broad market benchmarks. But fixed income also contributed strongly, with a return of 8.4%, in response to the falling interest rate environment. Relative to other public plans, however, the Plan did not fare as well. It ranked in the 83<sup>rd</sup> percentile in a comparative peer universe, primarily due to its lower risk profile in a strong, upwardly trending market. In addition, an equal weight to domestic and international equities held back relative performance in a market environment that continued to favor U.S. stocks.

With the tailwind that comes from continued monetary support and the reduction of trade uncertainty, forecasters were expecting a modest strengthening in global economic activity and a continuation of the slow and steady recovery we've been enjoying since the end of the Global Financial Crisis. However, as we write this, the 2019 Novel Coronavirus (COVID-19) is wreaking havoc on global risk markets. As of February 27, 2020, the S&P 500 Index is down more than 12% from an all-time high set just the week prior. And as the virus has spread to all continents (except Antarctica) and infection rates are rising rapidly, even as China seems to have slowed the spread within its own borders, the uncertainty around its ultimate impact on the global economy has investors rushing into haven assets like gold and U.S. government bonds.

It is impossible to say what the future holds for markets in such uncertain times; we could easily experience a rapid and strong reversal from the current downward trend should evidence emerge that the rate of global infection is waning. Regardless, it is important to note that TCERA's portfolio is well-diversified and constructed with a risk profile to weather large market drawdowns. In addition, the Board recently and fortuitously decided to eliminate its volatile commodities allocation shortly before the outbreak of the virus, which will also help protect against a market decline. In this environment and given these circumstances, the investment portfolio is well-positioned to withstand a significant downturn and benefit from the recovery that inevitably follows.

**Verus Investments**

## **An important notice to our pension payees:**

### **Annual Cost of Living Adjustments (COLA)**

It's that time of year again! Cost of Living Adjustments (COLA) will be applied to pension payments effective April 1st. Payees will see the increase on the April 30th pension payment. The increase in CPI for 2019 was 2.85%. For purposes of determining COLA, CPI is rounded to the nearest half of a percent, resulting in 3.0% CPI for this year's TCERA COLA calculations. COLA is subject to a 3% cap for Tier 1 and a 2% cap for Tiers 2, 3, and 4, resulting in the following COLA for **April 1, 2020**:

**All Tier 1 Payees: 3.0% COLA**

**All Tier 2 Payees: 2.0% COLA**

**All Tier 3 Payees: 2.0% COLA**

**All Tier 4 Payees 2.0% COLA**

**Note:** The difference between the actual CPI percentage calculated without regard to the cap and the actual COLA used is accumulated and carried over each year. This accumulated carryover balance may be used to provide COLA up to the maximum in future years. Accordingly, Payees in Tiers 2-4 will receive an increase to their accumulated carryover balance of 1.0% as a result of this year's calculation.

## **TCERA Staff**

Leanne Malison, *Retirement Administrator*  
Mary Warner, *Assistant Retirement Administrator*  
Melody Manning, *Administrative Services Officer*  
Christene Brown, *Retirement Specialist III*  
Darcy Nunes, *Retirement Specialist I*  
Jeanette Burks, *Retirement Specialist I*  
Sheila Abrego, *Retirement Specialist I*  
Adriana Gonzalez-Chang, *Retirement Specialist I*  
Nulek Singkeovilay, *Accountant II*  
Marisol Sliakis, *Accountant II*  
Frank Martin, *Account Clerk II*  
Susie Brown, *Office Assistant II*

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