



Tulare County Employees' Retirement Association

# Pension Progress

Phone: (559) 713-2900

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

Keeping Members Informed

September 2020

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

### The Retirement Puzzle



October is National Retirement Security Month. This is an important time to consider all aspects of retirement planning, which can be puzzling at best. The Board of Retirement and the staff at TCERA are passionate about retirement – your retirement. We encourage you to be passionate about your retirement as well! Here are several pieces to your retirement puzzle that merit your attention:

**TCERA Retirement** – Your TCERA retirement benefits are a significant piece of the puzzle. A defined benefit retirement is rare in this day and age. A monthly income for life will go a long way to ensuring a satisfying and dignified retirement. TCERA staff are here to help you understand this benefit.

**Deferred Compensation** – Tulare County offers a Deferred Compensation Plan (457 Plan) to its employees. Taking advantage of this piece number two of the puzzle can provide a pool of funds you can use to supplement your income in retirement. Your contributions, along with an employer match, can grow significantly over the course of your active employment. Tier 4 members take note – your retirement benefits may be lower than those of your Tier 1-3 colleagues but your contributions to the plan are also lower. You might consider contributing that difference (or more) in contributions to the 457 Plan to help lessen the gap in your future retirement benefits. Make the most of this investment opportunity. To enroll or review your existing investment strategy, contact Stephanie Henry, Tulare County's Empower representative, at 559-967-2280 ([stephanie.henry@empower-retirement.com](mailto:stephanie.henry@empower-retirement.com)).

**Social Security** – If you are not yet eligible or have not signed up for Social Security benefits, it is important to understand that this piece of the puzzle is also critical for your retirement planning. As you approach retirement, make sure you contact Social Security so that you are adequately informed regarding your options for this benefit.

**Other Savings and Investments** – Another piece of this puzzle is your personal budget that allows for additional savings and investments. Understandably, not everyone can do this all the time. When planning your budget, however, keep in mind that retirement years sneak up on us all very quickly.

Juggling all of the pieces of the retirement puzzle can be challenging. I hope that the focus of National Retirement Security Month will provide encouragement to you to seek out information regarding all the pieces that can help you enjoy your well-deserved retirement.

Leanne Malison  
Retirement Administrator



## Investment Update

### Verus, TCERA Investment Consultant Communication

Second quarter 2020 saw a dramatic comeback after a cataclysmic first quarter. Most major equity benchmarks are approaching or eclipsing all-time highs, despite the damage that COVID-19 has inflicted on the global economy. The recovery in risk assets has been aided by historic levels of government support. On an economic front, U.S. GDP declined at a 9.5% rate year-over-year in Q2 (-32.9% quarterly annualized rate). The contraction consisted of decreased consumer spending, exports, inventory investment, fixed investment, as well as government expenditures. The U.S. labor market experienced a historic shock in Q2, as unemployment jumped from 4.4% in March to 14.7% in April, then recovered partially to 11.1% in June. Recent labor market data have beat expectations materially, but the severity of the shock is notable. A majority of the unemployed have reported their job losses as temporary. It will be important to watch what portion of these losses are indeed temporary rather than permanent. Notwithstanding fiscal and monetary support and the modest improvement in the labor market from March and April's peak distress, equity market investors appear to be looking past COVID-19 and pricing in that a broadly distributed vaccine will occur in the relatively near term.

The Plan performed well relative to its policy benchmark, earning 9.4%, net-of-fees, for the second quarter 2020 versus 8.1% for the policy index. Given the equity comeback during the second quarter, it is not surprising that public market equities were the top contributor to the Total Plan return. Fixed income was also a strong contributor, up 5.8% during the quarter, outperforming the benchmark by 2.8%; credit-sensitive fixed income experienced a similar recovery to equity markets, albeit more muted. Relative to other public plans, however, the Plan did not fare as well. It ranked in the 80th percentile in a comparative peer universe year-to-date, primarily the result of a more global orientation within equities and underperformance from several underlying strategies during the first quarter. During the second quarter the Board of Retirement took action to increase U.S. equities relative to international equities, bringing its strategic asset allocation more in line with peers.



As of the time this letter is being written, the S&P 500 Price Index closed at a new all-time high, indicating a full recovery from the pandemic-driven sell-off in the first quarter. Some analysts remain concerned about the breadth of the rebound, as the S&P 500 Equal-Weighted Index was still 7% below its first quarter peak. In Washington, Congress has thus far failed to reach consensus on a potential addition to fiscal stimulus prior to its recess. President Trump announced a series of executive orders aimed at bridging the gap until Congress returns after Labor Day, but the fiscal picture remains highly uncertain.

For now, markets appear to be focused on the supportive Fed stimulus and the trajectory of the economic recovery, which is dictated by the eventual development of a vaccine. Asset prices reflect expectations of continued U.S. exceptionalism, most notably within the technology sector. Chinese-US relations also occupy the investment landscape, though notably less so than late 2019. Lastly, while the election cycle has shifted to the forefront of headlines, markets seem to have thus far largely ignored the hullabaloo. In light of all this, the portfolio remains well-diversified with long-term objectives top of mind.

## Divorce and Your Retirement

Divorce is not usually a pleasant subject, but it is an important one as it relates to your TCERA benefits. California is considered a community property state which means that retirement benefits earned during a marriage are an asset that can be divided in the event of a divorce. This is true whether you are in active employment, deferred status, or have already retired. In order for TCERA to properly handle any such division, it is important to provide acceptable documentation. Here are some tips to help you navigate the TCERA process:



**Joinder** – One of the parties should file a joinder with the Court. This document joins TCERA as a party to the divorce proceedings. Once filed, and served upon TCERA, the Joinder prevents TCERA from paying out any retirement funds until a final determination is reached by the court and ensures that relevant documents can be reviewed by TCERA. This prevents members from incurring the inconvenience, and possible additional expense, of going back to court for documents that meet TCERA requirements.

**Domestic Relations Order** – The preferred document for communicating instructions regarding TCERA community property interests is a Domestic Relations Order (DRO) that can be generated when a divorce is finalized with the court. The DRO gives specific language as to how the retirement plan assets are to be divided between the two parties. Sample DRO's for both pre-retirement and post-retirement are available on TCERA's website [www.tcera.org](http://www.tcera.org). The samples can also be obtained by contacting the retirement office. Using the sample as a template may eliminate the need to revise a DRO submitted to TCERA for approval.

**Acceptable Documentation** – There are two legal documents that can be provided to finalize instructions to TCERA regarding community property interests. The preferred document is a DRO filed with the court as noted above. The provisions of the DRO must be acceptable to TCERA. If a DRO has not been filed with the court and the divorce proceedings are complete, the final judgment from the court may be acceptable. The final judgment must provide specific acceptable instructions regarding the treatment of the community property portion of the TCERA account. These documents must have the signatures of all parties involved, including a signature or stamp from the judge who heard the case.

Upon receipt of acceptable documentation, TCERA will calculate the division of the retirement plan benefits, inform each party of the amount they will receive, and provide information as to how each person can receive their portion.



Missing or incomplete documentation regarding a divorce can result in a delay in receiving TCERA retirement benefits. It is in everyone's best interest to provide the documents as soon as they are available. TCERA takes no pleasure in placing a retirement or distribution on hold because of a lack of appropriate documentation. Please inform TCERA of divorce proceedings as soon as possible. If you have questions about current or previous divorce proceedings, please contact the retirement office.

## Fiscal Year End Financial Information

TCERA earned 1.0% on its investments for the fiscal year ended June 30, 2020. While the results are disappointing on a total return basis, we are encouraged with positive results for the year during such tumultuous market conditions. These investment results will be incorporated into the data considered by TCERA's actuary in its upcoming actuarial valuation. The valuation will provide the Board of Retirement with critical information for determining employer and employee contribution rates for next year. Watch for more information at year end regarding the results of the valuation.

The Board of Retirement reviews investment performance regularly and makes adjustments to its portfolio periodically in response to market analysis. The Board of Retirement confers with experts and obtains investment education in order to make informed decisions regarding TCERA investments. Most recently, the Board made changes to its investment portfolio, choosing to increase domestic equity investments, offset by a decrease in international equity investments. The Board of Retirement continues to take a long term view regarding investments and is focused on meeting its investment goals through all market cycles.

TCERA is in the process of finalizing its financial statements for the fiscal year ended June 30, 2020. Complete financial information will be available in TCERA's Comprehensive Annual Financial Report (CAFR) which will be issued by December 31<sup>st</sup>. The document will be posted to TCERA's website as soon as it is available. In addition, watch for a copy of TCERA's Popular Annual Financial Report (PAFR), a pamphlet containing condensed information from the CAFR. The PAFR will be distributed to all members at year end.

### TCERA Office Update

TCERA Board meetings remain open to the public to ensure that you have access to the decision-making process related to your TCERA pension plan. Social distancing and cloth face coverings are required. You can also send public comments to [BORPublicComment@tcera.org](mailto:BORPublicComment@tcera.org) any time before the meeting. Board of Retirement agendas and backup materials are posted on TCERA's website [www.tcera.org](http://www.tcera.org) prior to the meetings. Board approved meeting minutes are also posted. Please take advantage of these communications to stay informed regarding Board of Retirement activity.

TCERA's lobby continues to be closed to the public due to the COVID-19 pandemic. All critical functions and processes are handled by TCERA staff via U.S. mail and electronic communications. Any in-person contact with staff for a critical purpose is by appointment only. Social distancing and cloth face coverings are required. To date, all processes and transactions have been completed on time. It is our goal to continue to provide quality service in spite of the limitations imposed by the current emergency.

The Board of Retirement and TCERA staff are grateful to all of you for your patience and consideration during these challenging times. We sincerely hope that you are all able to stay safe and well!

Contact TCERA at:  
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