Tulare County Employees' Retirement Association

Pension Progress

Phone: (559) 713-2900 www.tcera.org

Keeping Members Informed Volume 16, No. 1 March, 2015

TCERA Investment News

By: Scott Whalen, Wurts & Associates

When we wrote six months ago, we expressed heightened concern that the Fed and other central banks were propping up global equity markets with historic amounts of monetary stimulus. As we write today, market experts are arguing about when the Fed will begin to raise rates, this based on evidence of moderate US economic growth. In the meantime, the European Central Bank has clearly stepped on the gas and embarked on its own bold program of monetary stimulus. In addition, the price of oil has been roughly cut in half since last June; growth in China is slowing beyond most reasonable expectations; the US dollar is strengthening, Greece is once again on the verge of leaving the European Union; and violence in Eastern Europe and the Middle East rounds out the list of things to be concerned about. All this has caused heightened market volatility and led to a highly challenging investment landscape.

Within this backdrop, the Plan's investment portfolio returned -1.5% after investment manager fees for the first six months of the current fiscal year. This is a far cry from the 11.0% return the Plan enjoyed for the same period last year. However, the longer-term picture remains favorable. Over the last three-year basis, the Plan averaged a 10.4% annual return, while the past five years brought an average annual return of 8.3%, both comfortably above the Plan's actuarial return.

The biggest detractor from the Plan's performance so far this fiscal year has been international equity with a net return of -9.3%. This more than offset the reasonably healthy return from US stocks of 5.5%. Commodity investments also detracted from total portfolio returns, as would be expected given the big pull back in energy prices, while real estate was additive, and fixed income was relatively flat.

Fortunately, TCERA is a plan with a very long-term investment horizon, and just like we didn't count on continuing the high 16.7% performance for fiscal year 2014, we know the low returns experienced so far this year won't last forever. The key is to remain disciplined and adhere to the long-term investment strategy laid out in the Investment Policy. That said, we continue to assess opportunities to upgrade the portfolio. For the remainder of this year, we are turning our attention to the hedge fund allocation; we will also be looking to replace a manager in the fixed income portion of the portfolio; and we will be reviewing the private equity allocation later this year, as well. We expect all these adjustments to improve investment performance over time and help the portfolio meet its long-term return objectives.

TCERA Responds to Frequently Asked Questions

Can I receive a loan on the amount I have in my TCERA account?

No. The provisions of the California Government Code sections governing the TCERA plan do not permit us to make loans from the amount a member holds in her/his retirement account. While loans are permissible to employees who participate in the County's Defined Contribution program, the same is NOT true for TCERA. *(Continued on last page.)*

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, 2015.** Due to the rise in the Consumer Price Index (CPI) for the period ending December 31, 2014, 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:

Tier I members retired on or before 4/1/1982	**3%**
Tier I members retired from 4/2/1982 through 4/1/1983	**1.5%**
Tier I members retired 4/2/1983 through 4/1/2015	**0.5%**
Tier II and III members retired on or before 4/1/2006	**2%**
Tier II and III members retired 4/2/2006 through 4/1/2015	**0.5%**

Because the change in the CPI was less than 2%, retirees will 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' 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.

Knowing Your Retirement Payment Options

TCERA members are sometimes surprised to learn that there are a number of benefit options for you to choose from when you make the decision to retire. Each of the different payment options will impact the basic retirement allowance that you receive, so you should consider them carefully. Here's a brief review of the retirement benefit options available to you:

Unmodified Option – (It's called the "Unmodified Option" because it is the one originally allowed for under the law that governs the retirement plan.) This option provides the maximum monthly allowance payable to you for your lifetime, and will also pay a 60% continuance to your qualified surviving spouse (or registered domestic partner) following your death. If you have no spouse (or registered domestic partner) eligible for a continuance at your death, your beneficiary will receive a lump sum payment of your accumulated contributions less the sum of the actual monthly retirement allowance payments received by you. Under specific circumstances, you can may be able to name a post-retirement spouse (or registered domestic partner) who can then qualify for a pension continuance following your death. (Contact TCERA for the details of how this works.)

(Continued on next page.)

Retirement Payment Options *(continued)*

Option 1 - This benefit payment modification provides for a slightly reduced monthly retirement allowance, payable throughout your life, with the provision that your accumulated contributions, less the sum of the annuity portion of the payments received by you, will be paid upon your death to your beneficiary. Under this option, the retired member may change his/her designated beneficiary.

Option 2 - This option provides for a reduced monthly retirement allowance to you for your lifetime with 100% of the allowance continued after your death to your qualified beneficiary for their lifetime. If your named beneficiary dies before you, a new beneficiary may NOT be designated and the allowance under this option will be continued only through your life.

Option 3 - This option provides for a reduced monthly retirement allowance paid to you for your lifetime with 50% of the allowance continued after your death to your qualified beneficiary for your beneficiary's lifetime. If your named beneficiary dies before you, a new beneficiary may NOT be designated and the allowance under this option will be continued only through your life.

Option 4 - This option allows you to name MULTIPLE beneficiaries who will each receive a lifetime continuance following your death. Electing this option requires that an actuarial study be completed to determine how much of a reduction you must take on your allowance AND that the Retirement Board approves your election of Option 4 in advance of your retirement date. If one or more of the beneficiaries dies before you, a replacement beneficiary may NOT be designated and the reduction you received on your allowance will continue until you pass away.

Please note that the benefit payment option elected by you may also have significant tax implications. You are encouraged to speak with a qualified tax advisor prior to finalizing your decision. In addition, should you have questions regarding the benefit options available to you, please contact the Retirement Office at (559) 713-2900.

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 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 » 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.

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Frequently Asked Questions *(continued)*

Does it matter how much money I have in my personal retirement account when I retire?
In many ways, no. TCERA uses a formula to calculate your monthly pension allowance at retirement. This formula is based upon your membership type (General or Safety and Tier) your age at retirement, your years of retirement service credit with TCERA and your final average salary. Your contributions are important in that they help to fund the monthly pension benefit you will receive, but your contributions DO NOT play a role in determining the amount of your monthly retirement allowance.

Can I use my defined contribution account balance to buy-back service time for Retirement?
Yes. Rollovers from your Defined Contribution plan, IRA, 403B, and 401K programs can be accepted by TCERA for the purchase of qualified years of service under the Retirement Association. Other acceptable methods of payment include lump-sum payments and post- taxed biweekly deductions from your pay. For more details regarding the accepted methods of making payments and for periods of service that qualify for purchase, contact the Retirement Office.

I am divorced and my ex-spouse received half my retirement account. If they withdraw it, can I purchase my service back?
Once your divorce is final TCERA should receive Court approved instructions for how your contributions and years of service are to be divided between you and your ex-spouse. TCERA will then calculate the non-member's portion and inform both them and you of the dollar amount and years of service the non-member is entitled to receive. If the non-member elects to take a withdrawal of their portion of the account, you will be notified of the withdrawal and will be given the option of re-depositing the amount withdrawn (plus interest) and having the years of service restored into your retirement account. You will have up to a maximum of five (5) years from the date of the notice to complete the re-deposit.