



Tulare County Employees' Retirement Association

Pension Progress

Phone: (559) 713-2900

www.tcera.org

Keeping Members Informed

Volume 15, No. 3 September, 2014

Fiscal Year 2014 Investment Results

By: Scott Whalen, Investment Consultant

(Mr. Whalen is an Executive Vice President and Senior Consultant from Wurts & Associates, TCERA's current investment consulting firm.)

If investors must really climb a proverbial "wall of worry", and if, as they say, "You can't fight the Fed", the latest year has truly been a study in proverbs. Despite the fact that economic growth remains sluggish, investment assets have surged ahead, primarily in our opinion, on the back of central bank intervention, rather than on fundamental strength. But with the Federal Reserve's seeming unwillingness to let markets fend for themselves, along with the Bank of Japan and European Central Bank's supportive positioning, it is difficult to envision what might cause markets to better reflect fundamental factors.

From a fundamental perspective, we see continued below-potential economic growth, a bifurcated US economy where 59% of the nation says it still feels like a recession, high societal debt levels globally, and high geo-political risk. Of course, the very good news is that at the same time, strong global investment markets through the first half of 2014 continued to provide a tailwind to the Plan's performance.

For the fiscal year ending June 30, 2014, the Plan's investments returned 17.1%, before investment manager fees. On a three-year basis, the Plan has averaged a 9.1% annual

return, and the past five years brought an average annual return of 11.9%. The biggest contributor to Plan's performance has been US equities with international stocks coming in a close second. The S&P 500 returned 7.1% for the first half of 2014, bringing the one year return to an impressive 24.6%. Stock markets outside the US trailed slightly with a return of 5.9% for the first half of 2014 and 22.3% for the fiscal year. But other investment markets also did remarkably well. Commercial real estate earned 11.2% for the year, commodities gained 8.2%, and even lowly bonds enjoyed a one-year return of 4.4%, despite near universal consensus that interest rates would rise.



As we have written previously, we believe diversification is key to long-term investment success. Along these lines, the Plan recently made a minor adjustment to its investment strategy, shifting 3% of portfolio assets into global equities focused on water related investments. This should provide additional diversification into a sector expected to gain continued attention in the face of ongoing popular concern over climate change. This new investment is currently scheduled to be funded by the end of October and is expected to benefit the portfolio through the remainder of fiscal year 2015 and beyond.



Preparing for Your Retirement

Preparing for retirement requires planning in a number of areas. The staff role at TCERA is to assist you in making sure that once you've made the decision to retire you can do so with confidence. In preparing for your retirement date, here are some considerations that you should make:

- **Gather together important documents.** TCERA will need to see the original or certified copy of your birth certificate (or valid passport, naturalization papers, or Form DD2-14). If you are married we will also need to see original or certified copies of both your marriage license and your spouse's birth certificate (or other documents as listed above). We will also need to make a copy of your driver's license and Social Security card. If your retirement date is getting close, please start getting these documents together now. You must provide these documents in order to retire.
- **Attend one of the TCERA sponsored pre-retirement seminars.** TCERA offers a variety of pre-retirement and educational seminars. One is for persons who are about 5-7 years from retirement. This is for those members who are just starting to think about retiring and still have time to make adjustments prior to the big day. Speakers at the seminar include TCERA staff, staff members from the Social Security Administration, representatives from the Health Insurance Counseling & Advocacy Program (HICAP) and from the Tulare County Defined Contribution program (GreatWest). Each speaker will give you information on how to better plan for retiring successfully.

Another seminar is for those individuals who are only 1-4 years from retirement. This seminar focuses more on the mechanics of retiring. Again, speakers from TCERA, Deferred Comp and SSA are present. Also included are representatives from the County's Retiree Health Care program and HICAP.

- **Selecting your retirement date.** A variety of factors should be taken into consideration in determining the best time for you to retire. We suggest that you request an estimate of your pension allowance to be prepared when considering a retirement date. An estimate calculation, which includes your different retirement payment options, can be requested by completing a "Request for Estimate" form and returning it to TCERA. The form is available at TCERA's website (www.tcera.org) or can be sent to you by TCERA staff. Each form allows you to request up to three different retirement estimates.

Many people choose to retire immediately following the start of a new calendar year. This is because they expect large pay-offs in vacation and/or sick leave balances followed by a drop in regular income due to their retirement. The tax burden for handling retirement in this manner can be less since the lower annual retirement income helps to cushion the extra amounts received due to the vacation and sick leave payouts.



Most members choose to retire on or as close to April 1st as they can. Your effective date of retirement is the first day in which you will be in retired payment status. By retiring on or before April 1st you will be entitled to receive any applicable retirement COLA for that calendar year.

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.

Understanding Reciprocity

The Tulare County Employees' Retirement Association, or TCERA, is a retirement program established under the provisions of the County Employees' Retirement Law of 1937 (the '37 Act). A total of 20 counties in California have adopted the '37 Act and, as a result, have what is referred to as a reciprocal agreement between each other.



Under reciprocity a member of TCERA can move to another employer that is part of a reciprocal retirement program without losing all of the benefits earned under the original plan. When a member of TCERA terminates active employment, he/she will be given several options of how to handle her/his funds. If the person qualifies for retirement they can retire and begin receiving a monthly retirement allowance payable for life. They can also elect to take their funds in cash or roll them over into an Individual Retirement Account (IRA) or other qualified retirement program. An additional option, however, is to seek employment under a reciprocal retirement system and elect reciprocity. Electing reciprocity allows service earned with one plan to be used in helping a member meet the minimum service requirements for retirement benefits under the new plan. Establishing reciprocity between two or more qualified plans can also reduce the contribution rates required from the employee and, in some cases, will place the individual into a higher retirement benefit tier.

How Does Reciprocity Work? A member who wishes to establish reciprocity must begin membership in the new retirement system within 6 (six) months of leaving their former plan. The member must also agree to leave his/ her funds on deposit with the first plan while employed under the new retirement plan. The funds left on deposit continue to earn interest but are not available for withdrawal until the member terminates employment with his/her new employer. Assuming that the member works long enough to retire under the new plan, she/he will apply

for retirement benefits from both plans **using the same effective date of retirement.** The two plans share salary information and use the higher salary information earned with one of the plans to calculate the person's monthly retirement benefit. Each plan may have a different benefit formula but the shared salary information allows a member to be out active membership from their original retirement plan for many years and still receive a greater retirement allowance due to higher salary earnings.

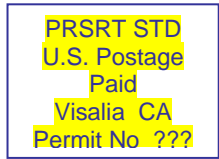
TCERA plan members help to pay for their future retirement benefits through biweekly retirement contributions deducted from their paychecks. The amount of the deduction taken is determined by the individual's **tier, membership type and entry age into the retirement plan.** The younger a person is upon entering the plan, the lower their retirement contribution rate will be. An advantage to electing reciprocity is that when the individual enters TCERA from a reciprocal plan the Retirement Office will adjust the member's entry age to match the entry age of their original plan. This lowers the amount of deductions taken from their pay without decreasing the level of retirement benefits they will eventually earn.

Reciprocity can be established between two or more plans which carry reciprocal agreements. This gives many public employees within California the advantage of moving from employer to employer without having to start earning retirement benefits all over again as employment changes. As stated above, the twenty '37 Act counties all have a reciprocal agreement. Recognizing the importance of allowing retirement benefits to be as portable as possible, reciprocal agreements have also been made with other public retirement programs in California. Some of these include CalPERS, the City of Los Angeles, the City of San Diego, County of San Luis Obispo, City and County of San Francisco and the State Teachers' Retirement System (STRS). *(Continued on last page)*



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

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



Understanding Reciprocity

(Continued from 3rd page)



While terminating employment involves a major decision, how to handle your future retirement benefits is also very important. The Retirement Office is available to discuss your options in order to help you reach an informed decision. Please feel free to contact a Retirement Specialist at (559) 713-2900 with any questions you may have concerning reciprocity.

1937 ACT COUNTY PLANS:

Alameda	Contra Costa	Fresno
Imperial	Kern	Los Angeles
Marin	Mendocino	Merced
Orange	Sacramento	San Bernardino
San Diego	San Joaquin	San Mateo
Santa Barbara	Sonoma	Stanislaus
	Ventura	Tulare