

Kern County Administrative Office



County Administrative Center

1115 Truxtun Avenue, Fifth Floor • Bakersfield, CA 93301-4639

Telephone 661-868-3198 • FAX 661-868-3190 • TTY Relay 800-735-2929

JOHN NILON

County Administrative Officer

February 16, 2010

Board of Supervisors
Kern County Administrative Center
1115 Truxtun Avenue
Bakersfield, CA 93301

**PROPOSED RESOLUTION REQUESTING LEGISLATION ENABLING 1937
RETIREMENT ACT COUNTIES TO DISCONTINUE CONTRIBUTIONS
TO SUPPLEMENTAL RETIREMENT BENEFITS RESERVE
(Fiscal Impact: None)**

This is to request that your Board adopt the attached resolution requesting the enactment of legislation enabling counties governed by the County Employees Retirement Act of 1937 to discontinue contributions to a Supplemental Retirement Benefits Reserve (SRBR).

The Kern County Employees' Retirement Association (KCERA) pension fund has experienced sharp increases in unfunded liability following a steep decline in investment earnings that has affected many public and private pension plans. At the same time, the County's SRBR is overfunded by more than 50%. As your Board is aware, SRBR provisions enable a county's Board of Supervisors and its Board of Retirement to dedicate 50% of investment earnings that exceed expected actuarial assumptions to a reserve to provide additional benefits that help to protect retirees' purchasing power against inflation.

Given the urgent need to reduce unfunded liability in the pension fund, it is recommended that future excess earnings be dedicated to pay down the retirement fund's unfunded liability. With inflation extremely low, funds currently on deposit in the SRBR will be ample to pay supplemental retiree benefits for the foreseeable future.

Although SRBR can be established by a vote of both Boards, State law is silent on whether the boards of supervisors and the boards of retirement can discontinue the contribution of excess earnings to SRBR. The County requires clear statutory authority to discontinue the future distribution of excess earnings to SRBR by a vote of both the Board of Supervisors and the Board of Retirement.

Therefore, IT IS RECOMMENDED that your Board adopt the attached resolution requesting the enactment of legislation enabling 1937 Retirement Act counties to discontinue contributions to a Supplemental Retirement Benefits Reserve and authorize the Chairman to sign correspondence to the appropriate officials.

Sincerely

A handwritten signature in black ink, appearing to read "John Nilon", is written over the word "Sincerely".

John Nilon
County Administrative Officer

JN:ADKLEGGEN legreq SRBR discontinue BOS.docx
CF 1000.30

Attachment

cc: Kern County Employees' Retirement Association
All Unions

BEFORE THE BOARD OF SUPERVISORS
COUNTY OF KERN, STATE OF CALIFORNIA

In the matter of:

Resolution No. _____
Reference No. _____

**REQUESTING LEGISLATION TO ENABLE 1937 ACT
COUNTIES TO DISCONTINUE DEDICATION OF EXCESS
RETIREMENT PLAN EARNINGS TO A SUPPLEMENTAL
RETIREMENT BENEFITS RESERVE**

I, KATHLEEN KRAUSE, Clerk of the Board of Supervisors of the County of Kern, State of California, hereby certify that the following resolution, on motion of Supervisor _____, seconded by Supervisor _____, was duly and regularly adopted by the Board of Supervisors of the County of Kern at an official meeting thereof on the ____ day of _____, 2010, by the following vote and that a copy of the resolution has been delivered to the Chairman of the Board of Supervisors.

AYES:

NOES:

ABSENT:

KATHLEEN KRAUSE
Clerk of the Board of Supervisors
County of Kern, State of California

Deputy Clerk

RESOLUTION

Section 1. WHEREAS:

- (a) Many public pension plans have experienced sharp climbs in unfunded liability following the steep decline in investment earnings that has affected many pension funds; and

- (b) Some counties governed by the County Employees Retirement Act of 1937 have established Supplemental Retirement Benefits Reserves (SRBR) that enable a county's Board of Supervisors and its Board of Retirement to dedicate 50% of investment earnings that exceed expected actuarial assumptions to a reserve to provide additional benefits to help protect retirees' purchasing power against inflation; and
- (c) The County of Kern's SRBR is substantially overfunded at 151% of liability at a time when the County retirement plan it supplements is seriously underfunded; and
- (d) To reduce unfunded liability in its retirement plan, the County of Kern desires to dedicate future excess earnings to pay down unfunded liability while guaranteeing that SRBR funds currently on deposit will remain available for intended supplemental benefits; and
- (e) While SRBR benefits and distributions can be established by a vote of both Boards, State law is silent on whether the Board of Supervisors and the Board of Retirement can discontinue the contribution of excess earnings to SRBR; and
- (f) Clear statutory authority is needed to enable counties that have established SRBR to discontinue the future distribution of excess earnings to SRBR by a vote of both the Board of Supervisors and the Board of Retirement;

Section 2. NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Supervisors of the County of Kern, State of California, as follows:

1. The Board requests the Members of the Legislature to introduce and secure the enactment of legislation to enable Boards of Supervisors and Boards of Retirement in 1937 Act counties with Supplemental Retirement Benefit Reserves (SRBR) to discontinue the dedication of excess earnings to SRBR by amending Government Code Section 31610.1 as follows:

31610. This article shall not become operative in any county unless and until it is adopted by resolution of the county board of retirement and the county board of supervisors, whereupon, the following sections shall not be operative as to that county: Sections 31453, 31529.5, 31591, 31592, 31592.2, 31592.3, and 31871. *In any county which has made this article operative pursuant to Section 31610, that county may, upon adoption of a resolution of the county board of retirement and county board of supervisors, discontinue the provisions of this article.*

BOARD OF SUPERVISORS

SUPERVISORS

Jon McQuiston District 1
Don Maben District 2
Mike Maggard District 3
Raymond A. Watson District 4
Michael J. Rubio District 5



KATHLEEN KRAUSE
CLERK OF BOARD OF SUPERVISORS

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February 16, 2010

The Honorable Roy Ashburn
California State Senate
State Capitol, Room 30663
Sacramento, CA 95814

Dear Senator Ashburn:

The Kern County Board of Supervisors has adopted the attached resolution requesting the enactment of legislation enabling counties governed by the County Employees Retirement Act of 1937 to discontinue contributions to a Supplemental Retirement Benefits Reserve (SRBR).

As you may know, SRBR provisions enable a county's Board of Supervisors and its Board of Retirement to dedicate 50% of investment earnings that exceed expected actuarial assumptions to a reserve to provide additional benefits that help protect retirees' purchasing power against inflation.

Like many pension plans, the Kern County Employees' Retirement Association pension fund has experienced sharp increases in unfunded liability following a steep decline in investment earnings. At the same time, the County's SRBR is overfunded by more than 50%. Given the urgent need to reduce unfunded pension liability, our Board desires the flexibility to dedicate any future excess retirement fund earnings to pay down the retirement fund's unfunded liability. With inflation extremely low, funds currently on deposit in the SRBR will be ample to pay supplemental retiree benefits for the foreseeable future.

SRBR benefits and distributions can be established by a vote of both Boards, but State law is silent on whether the Board of Supervisors and the Board of Retirement may discontinue the contribution of excess earnings to SRBR. The County of Kern desires clear statutory authority to discontinue the future distribution of excess earnings to SRBR by a vote of both the Board of Supervisors and the Board of Retirement.

For these reasons, our Board respectfully requests your help in securing the introduction and enactment of legislation amending the 1937 Retirement Act counties to discontinue contributions to a Supplemental Retirement Benefits Reserve, as proposed in the attached resolution.

Sincerely,

Ray Watson, Chairman
Kern County Board of Supervisors

RW:ADKLEGGEN SRBR discontinue legB.docx
CF 1000.10

Attachment

cc: Kern County Employees' Retirement Association
All Unions
Don Peterson Consulting

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February 16, 2010

The Honorable Dean Florez
California State Senate
State Capitol, Room 5061
Sacramento, CA 95814

Dear Senator Florez:

The Kern County Board of Supervisors has adopted the attached resolution requesting the enactment of legislation enabling counties governed by the County Employees Retirement Act of 1937 to discontinue contributions to a Supplemental Retirement Benefits Reserve (SRBR).

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Sincerely,

Ray Watson, Chairman
Kern County Board of Supervisors

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February 16, 2010

The Honorable Connie Conway
California State Assembly
State Capitol, Room 2174
Sacramento, CA 95814

Dear Assembly Member Conway:

The Kern County Board of Supervisors has adopted the attached resolution requesting the enactment of legislation enabling counties governed by the County Employees Retirement Act of 1937 to discontinue contributions to a Supplemental Retirement Benefits Reserve (SRBR).

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Kern County Board of Supervisors

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February 16, 2010

The Honorable Jean Fuller
California State Assembly
State Capitol, Room 3098
Sacramento, CA 95814

Dear Assembly Member Fuller:

The Kern County Board of Supervisors has adopted the attached resolution requesting the enactment of legislation enabling counties governed by the County Employees Retirement Act of 1937 to discontinue contributions to a Supplemental Retirement Benefits Reserve (SRBR).

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February 16, 2010

The Honorable Danny Gilmore
California State Assembly
State Capitol, Room 5126
Sacramento, CA 95814

Dear Assembly Member Gilmore:

The Kern County Board of Supervisors has adopted the attached resolution requesting the enactment of legislation enabling counties governed by the County Employees Retirement Act of 1937 to discontinue contributions to a Supplemental Retirement Benefits Reserve (SRBR).

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