

KCERA Retirement Board

By
Phil Franey, Retiree Trustee

“A retirement system board’s duty to the system’s participants and their beneficiaries shall take precedence over any other duty” (Section 17(b) of Article XVI of the California Constitution).

I hope everyone enjoyed St. Patrick’s Day and had a Happy Easter. I also wish everyone a safe Memorial Day with family and friends.

Over the past few months the KCERA Board has interviewed and hired both a new KCERA Executive Director and a Chief Investment Officer. **Dominic Brown** was hired as Executive Director after serving as the KCERA Acting Executive Director, KCERA Assistant Executive Director, Kern County Auditor-Controller Division Chief, Lennar Homes Assistant Controller, and positions at local CPA firms. **Daryn Miller** was hired as Chief Investment Officer after serving as the City of San Jose’s Interim Chief Investment Officer at two defined benefit pension plans, valued at approximately \$6 billion. He also managed San Jose’s global equity asset class after five years at Goldman Sachs as Vice President in equity research. With the placement of needed management and investment leadership, the KCERA Board is implementing needed changes to administrative and investment operations in serving our membership and sponsors.

During the March and April 2018 KCERA Board Meetings other than approving consent items (routine and non-controversial), the Board received presentations and took appropriate action on the following agenda items: distribution of available SRBR funds (explained later in this article), report on Sustainable Growth Advisers Partnership Announcement, trustee education regarding Eligibility for Retirement, report on Declining Employer Payroll Policy, KCERA Governance Report for the Fiscal Year ending June 30, 2017, KCERA voting delegation for the State Association of County Retirement Systems (SACRS) May Conference, proposed 2018-19 slate of candidates for SACRS, and KCERA Liquidity Review.

During the August 2017 Financial Committee Meeting, Segal Consulting (KCERA Actuary) presented a proposed Supplemental Retiree Benefit Reserve (SRBR) Benefit Improvement. This was the result of another of many REOKC requests to the KCERA Board to allocate available SRBR funds with a reserve balance exceeding 200%. As a reminder and concerning the Board’s fiduciary responsibility, until now the KCERA Board majority had failed for more than 15 years to act according to law in authorizing the allocation of available SRBR funds, other than two minor changes to the death benefit.

Although not obtaining everything your REOKC Board requested, we finally succeeded with the KCERA Board approving the allocation of available SRBR funds. KCERA retirees and future retirees hired before July 1, 2018 will be eligible for benefits including an increase of SRBR Tier 3 purchasing power from 80% to 82% with an inflation cap of 4% and a \$21 per month increase to eligible retirees. Beneficiary benefits will be adjusted according to current provisions of law. Understand, KCERA administration will provide all official information and answer questions regarding this matter. Your

REOKC Board will continue to request additional allocation of available SRBR funds since the reserve balance will be 138% after implementation of the mentioned changes.

As a reminder, your April pension payment will include a Cost-of-Living Adjustment (COLA) rate of 2.5% to be applied to all retirees and beneficiaries. As always, direct all questions concerning your COLA to KCERA Administration.

During the February Board meeting Verus (Investment Consultant) presentation included the fund balance and investment performance (net of fees) for the period ending December 31, 2017 as follows:

Total Assets - \$4,159,887,840
1 Year – 13.7% (returns net of fees)
3 Years - 6.8%
5 Years - 7.6%
10 Years – 4.3%

As of June 30, 2017, the assumption rate is 7.25% (expected long-term return) and funding ratio is 63.2% (fund assets available to pay liabilities).

As of March 31, 2018, membership was 17,353; active - 8,887; retirees and beneficiaries - 7,106 (REOKC is more than 5,000 of those members); and deferred and reciprocal - 1,360. More detailed information and reporting may be obtained from the KCERA website at www.kcera.org. All members are encouraged to attend Retirement Board Meetings on the second Wednesday of the month.