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# The Retirement View

VOLUME 7, ISSUE 2

FALL 2013



## From the Retirement Administrator: Experience Study

John Stuart Mill once wrote, "Certainty, if even attainable, is an elusive thing at best. But Assurances sufficient for the business of living are certainly within our grasp." On such advice we lean when forecasting actuarial and investment performance outcomes for FCERA.

One of the tasks underway is defining expectations for investment market behavior for the next five to ten years, and hence, the optimal strategy for deploying assets among the many options available to institutional investors. This Asset Allocation project will be completed this fall, and the changes to FCERA's investment portfolio that are ultimately adopted by the Board will have a large effect on the returns to assets. For every dollar ultimately paid in benefits, we expect about 30 cents to be derived directly from member and employer contributions. The other 70 cents is expected to come from investment earnings on those contributions over the course of a member's career. The Board, and our Investment Consultant, Wurts & Associates, are hoping to meet the long term actuarial assumed rate of return, but with less volatility in annual investment performance over time.

An actuarial Experience Study was recently completed, and at their meeting of August 21st, the Board acted on the recommendations of our consultant, Segal Company. Most of the recommendations were straightforward, being based on plan demographic, retirement and compensation changes in recent years. Some rely more on reasonable expectations, and less on statistical analysis of past experience, such as the long term (30 year) rate of inflation and the assumed return on invested assets. The Board decided to lower the inflation assumption from 3.5% to 3.25%, and the investment return assumption from 7.75% to 7.25%.

Our pension fund is a "pay me now or pay me later" proposition. To hang onto forecast assumptions which the trustees and their expert advisors can no longer embrace with reasonable assurance (as opposed to certainty) would have the effect of setting contributions at levels that are not reliable or equitable over time.

These changes will be reflected in the next actuarial valuation that Segal performs, and it is likely that contributions to the retirement plan will need to increase as a result of re-setting these forecast parameters. Though it is yet to be determined, it could mean as much as 8% for the employers, and over one-half of one percent for members. If investment markets perform better than we can conservatively predict, these costs could be lower. In fact, FCERA's investments have done just that, despite the severe downturn of 2008-09, as illustrated in our most recent performance report from Wurts & Associates on the next page:



## Experience Study:

	1 Yr	3Yr	5Yr	10Yr
<b>Net Annualized, at June 30, 2013</b>	<b>11.9</b>	<b>10.8</b>	<b>5.7</b>	<b>7.9</b>
<b>Returns vs. 7.75% Actuarial Target</b>	<b>4.2</b>	<b>3.1</b>	<b>-2.1</b>	<b>0.2</b>
<b>Rank among Public Plans</b>	<b>51st</b>	<b>57th</b>	<b>21st</b>	<b>16th</b>

If history is any indicator, it is certainly possible that investments could offset more of the anticipated costs for the program than the Board is projecting. Pleasant surprises are the better kind.

## Service Credit Purchases:

Service Credit Purchases (a.k.a, “buybacks”)

The Board of Supervisors had the first reading of a resolution to amend the County Ordinance Code as it relates to the purchase of service credit. This amendment is a result of action by the Board of Retirement in June, 2011. Legal Counsel advised at that time that in order to comply with Internal Revenue Service regulations on service credit purchases, voluntary installments for service credit purchases should be on a post-tax basis rather than a pre-tax basis. With the exception of the County of Fresno, this change was made by our plan sponsors in October 2011.

The decision to purchase additional service credit (or redeposit a previous withdrawal) is an election made on an individual basis, and therefore, not mandatory. The regular contributions that you make towards your retirement benefit will continue to be on a pre-tax basis as those are “mandatory” contributions. Service credit purchases can be for extra help time you may have worked prior to becoming a permanent employee; your new hire period (the first two weeks of your employment); medical or military leave of absences; or redeposits of refunded contributions. All of these are considered non-mandatory because you get to decide if you wish to purchase them or not.

Mandatory contributions are required, as a condition of employment, and are automatic under the plan. There are times when the incorrect tier or age is being used and an adjustment is required. Corrections of this nature are deemed mandatory; the only decision you have is whether or not to make a full payment or periodic payroll deductions.

This change has no impact on your ability to purchase eligible service credit, nor does it prevent payroll deductions. It just requires that payroll deductions for elective service credit purchases be made on an after-tax basis. FCERA will continue to accept roll-overs and transfers from qualified pre-tax accounts for service credit purchases.

As required by County regulations, the second reading of the ordinance is scheduled for September 24, 2013, with the ordinance scheduled to be effective for Requests to Purchase Service Credit received by Retirement on or after October 28, 2013. Requests submitted before that date and pending with FCERA are not affected by this ordinance.

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### Health Insurance Open Enrollment Plan Year 2014:

County health plans and rates for 2014 were not finalized at the time of printing; the item recommending these plans is tentatively scheduled for the Fresno County Board of Supervisors meeting on October 8, 2013.

Open Enrollment for Plan Year 2014 is scheduled to begin **Monday, October 21, 2013** and will continue through **Friday, November 8, 2013**, with changes taking effect January 1, 2014. For retirees enrolled in the County retiree health program, you will see the premium changes with your December 2013 check. Open Enrollment is the one time during the year that retirees may enroll in the County retiree health program or those already enrolled may change from one health plan to another and add eligible dependents to their coverage without a qualifying event. If you do not wish to make changes to your health insurance plans, no action is required on your part. However, we encourage you to attend one of the events listed below.

- **October 23, 2013 (7:30 a.m.—2 p.m.)** - Health and Wellness Fair, County Plaza.
- **October 24, 2013 (10 a.m.—2 p.m.)** - REFCO Luncheon @ International Catering Company (4277 N. West Ave)

**NOTE:** The packets are scheduled to be mailed the week of October 14, 2013.

**The Open Enrollment website is very informative and may answer your question. This includes detailed plan summaries, provider information, rates, online forms and much more. Visit our website in early October at [www.co.fresno.ca.us/openenrollment](http://www.co.fresno.ca.us/openenrollment), or call Fresno County Employee Benefits at (559) 600-1810.**

#### **MAKING PLAN CHANGES?**

Complete the applicable form(s) and submit to Employee Benefits, along with any required supporting documents. You may do this in one of five ways:

1. By email: [Personnel-Benefits@co.fresno.ca.us](mailto:Personnel-Benefits@co.fresno.ca.us)
2. By fax: (559) 455-4787
3. In person on the 14th Floor of the County Plaza Building
4. Attend one of the Open Enrollment events mentioned above
5. By USPS mail: 2220 Tulare Street, 14th Floor, Fresno, CA 93721

All forms and supporting documents must be received by Employee Benefits no later than 5:00pm on Friday, November 8, 2013. Employee Benefits is not responsible for forms sent through USPS mail that are lost or delayed and therefore not received by the deadline. It is your responsibility to ensure that all forms are received by the deadline.

**The County of Fresno looks forward to serving you again in 2014!**

### Calendar



#### **Next Regular Board Meeting:**

October 2, 2013  
October 16-17, 2013 (Retreat)  
November 6, 2013  
December 4, 2013  
December 18, 2013

#### **Location:**

FCERA Boardroom  
1111 H Street  
Fresno, California 93721

**Time:** 8:30 A.M.

### Pension Payroll Payment Schedule

Thursday, October 31, 2013  
Wednesday, November 27, 2013  
Tuesday, December 31, 2013

### Live Audio Broadcast

FCERA broadcasts all board meetings live via streaming audio. Visit [www.fcera.org](http://www.fcera.org) for more information.

### Board of Retirement

- Dr. Rod Coburn, III, Chair
- Alan Cade, Jr., Vice Chair
- Marion Austin
- Laura P. Basua
- Judith G. Case
- Vicki Crow
- Robert Dowell
- Eulalio Gomez
- Steven J. Jolly





## **Fresno County Employees' Retirement Association**

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Intranet: <http://www2.co.fresno.ca.us/9200/default.htm>

Email: [FCERAwebmail@co.fresno.ca.us](mailto:FCERAwebmail@co.fresno.ca.us)

### **Visiting FCERA: Office Hours of Operation**

It seems everyone is busy these days and time is a precious commodity. We encourage you to schedule an appointment in advance so we can help ensure a Retirement Coordinator is here for you. FCERA is changing to a one-shift lunch schedule in order to better coordinate our work internally for you. **Please be advised that effective October 1, 2013 FCERA will be closed between 12 and 1 p.m. for lunch.** If you need to speak with a staff member about your benefits, an appointment before or after lunch will be necessary.

### **Pre-Retirement Seminar:**

The next Semi-Annual Pre-Retirement Seminar will be held on the third Thursday of January from 8:30 to noon at the FCERA Board of Retirement offices. This seminar will be of interest to those members who are within three to five years of retirement and will not replace your individual counseling session when you are ready to retire. Please call 457-0681 or e-mail [FCERAwebmail@co.fresno.ca.us](mailto:FCERAwebmail@co.fresno.ca.us) to RSVP.

