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The Retirement View



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SUMMER 2013

From Phil Kapler, Retirement Administrator : Crossroads

Crossroads

Websters' defines it as follows:

- 1) a road that crosses a main road or runs cross-country between main roads;
- 2) a crucial point, especially where a decision must be made

Yes, that pretty much sums up where we are at FCERA.

The Board is anticipating a study from our actuary, Segal Company, regarding plan "experience" and plan "assumptions." The assumptions that we apply are forecasts of demographic and economic factors that determine the measured costs of projected benefits for our members. We test those assumptions over recent experience every few years to assess whether our expectations have come to pass, or whether assumptions need to be modified so that we have the most reliable forecast of retirement liabilities and revenues possible. In the end, it all drives member and employer contributions to the fund. It's important work that could have a significant impact on contributions over the next three years. The assumed rate of return on invested assets is a critical actuarial assumption. Segal may recommend that the Board consider reducing that rate from the current 7.75%. Before they decide that, they must cross a different road dealing with investments.

An Asset-Liability Study is also underway, being led by our Investment Consultant, Wurts & Associates. This is another project with a longer term focus, which will affect asset class and investment strategy decisions for the next three years at a minimum. The Board and our Consultant are hoping to restructure our \$3.5 billion of invested assets in a way that maximizes returns without undue risk or volatility, with particular emphasis on reducing down-side risk to the overall portfolio, which it is hoped will insulate employer units from spikes in contributions driven by volatile and sometimes adverse markets (e.g., 2000, 2008). The Board is considering significant changes to the structure of the fund's portfolio mix. If that happens, hiring new money management firms and redeploying assets would be a big project that could consume most of the next fiscal year.

Our funded ratio improved marginally with the last annual actuarial report, going from 73.5% to 76%. That puts us close to the funding level of the median public retirement program in the U.S; good, so long as the trend remains positive. It is not, however, the "sweet spot" we would all like to be in, which would be a funded ratio of 90% or better.

(continued on page 2)



From Phil Kapler, Retirement Administrator: Crossroads (continued from page 1)

As our retired life liabilities become a greater portion of the total (a typical pattern in mature defined benefit plans) and investment markets go cool for perhaps as much as a decade, we are going to have to work harder and smarter to get back to the 90% or better funding zone than we did the first time around.

Yes, we are at **crossroads**, and the Board will be making choices in the next few months that set our course for the next few years. As the existentialist Sor  n Kierkegaard put it, "Life may be understood looking backwards, but must be lived going forward." Well, **off we go**.

New Benefit Disbursement Bank:

ATTENTION RETIREES:

FCERA has changed banks. Beginning July 31, 2013 payments will be administered from **Northern Trust**. The July retirement payment and all subsequent payments will be issued by **Northern Trust** instead of the former contractor, State Street Bank.

Your monthly check will be mailed in advance to ensure receipt by the payable date. If you are paid by direct deposit, your funds will, as in the past, be deposited on the last FCERA business day of the month (for this summer's dates, see page 3). For the 2013 tax year, you will receive tax forms (Form 1099R) from **both** institutions, State Street and Northern Trust. Each will report the payments made by their respective bank and file with the Internal Revenue Service. You will need to include the information contained on both Form 1099Rs when you file your tax return for 2013.



How Leave Hours Affect Your Retirement:

Each Plan Sponsor is unique in determining the payout of accumulated leave hours upon the termination of their employees. Upon termination, your employer may provide you a cash pay out of your annual leave hours. For this determination, you should speak with your Personnel or Payroll department. This cash payout at termination is a non-pensionable event.

Some plan sponsors, such as the County of Fresno, have hours that have no cash value (meaning there is no cash pay out of these hours), for example, the Time Off Bank. They are, however, converted to service credit at time of retirement.

Below is an example of the formula FCERA uses to convert excess annual leave and time-off bank hours:

Hours divided by 80 (hours in pay period)

Multiplied by 14 (days in a pay period)

Divided by 365 (days in a year)

Equals fractional year of service (includes months and days)

Please contact FCERA at (559) 457-0681 if you need assistance in calculating your service credit.





USPS Update:

As we have been reporting for the past two years, the possibility of the United States Postal Service going to five (5) day delivery schedule appears to be coming to reality. The latest information from the United States Postal Service website is that they are moving to a six-day package delivery, and a five-day mail delivery service. Under the new delivery service, mail would be delivered to street addresses Monday through Friday. Packages would be delivered Monday through Saturday. No date has been given when this change will occur.

For those retirees who may be in areas affected by severe weather or wild fires, postal service could be delayed. If you receive your monthly benefit payment via mail and would like to change to direct deposit, it is fast and easy. The direct deposit form can be found on our website at www.fcera.org or we can mail you the form. Just call us at (559) 457-0681 to request the form.

We remain committed to keeping you, our retirees, informed on any issues that may impact delivery of your monthly benefit payment.

Health Benefit Update:

FCERA is happy to announce that the Health Benefit project is complete. During the period February, 2012 to February, 2013, FCERA prepared 647 calculations, with a total monthly health benefit increase of \$6,205. FCERA paid out in retro payments a total of \$655,428 plus \$271,862 in interest.

If you did not receive an adjustment and believe that you should have, please contact the FCERA office. We will research your file and let you know the status.

The FCERA team appreciated your patience as we processed your Health Benefit.



Calendar



Next Regular Board Meeting:

July 17, 2013
August 7, 2013
August 21, 2013
September 4, 2013
September 18, 2013

Location:

FCERA Boardroom
1111 H Street
Fresno, California 93721

Time: 8:30 A.M.

Pension Payroll Payment Schedule

Friday, June 28, 2013
Wednesday, July 31, 2013
Friday, August 30, 2013

Live Audio Broadcast

FCERA broadcasts all board meetings live via streaming audio. Visit 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
- Eulalio Gomez
- Steven J. Jolly
- Regina Wheeler
- Robert Dowell, Alternate





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Email: FCERAwebmail@co.fresno.ca.us

Meet FCERA Staff: Rick Avila - Retirement Coordinator



Rick began his employment with FCERA in May 2013 as a Retirement Coordinator. His duties cover a broad range of subjects for FCERA, including informing our members about their retirement benefits, processing requests, and paying our retired members. Prior to coming to FCERA, he worked for a marketing firm that supplied supplemental services to insurance agencies across the United States. Rick is a graduate of Fresno Pacific

University and is currently pursuing graduate studies.

When asked which aspects of his previous positions he enjoyed most, analysis or dealing directly with clients, Rick responded with a look of curious amusement, saying in effect, "Both, since they are really the same thing - client service in different forms." He gets it!

Rick continues to pursue his passion for working with the public and his enthusiasm for getting a job done well. Although his time with FCERA has been short, he has already begun preparing files for counseling sessions and participating in such meetings. FCERA is pleased to have Rick as a part of the team.

