Tulare County Employees' Retirement Association

Pension Progress

Keeping Members Informed www.tcera.org

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Retirement Board Elections Coming

The TCERA Board of Retirement will soon be holding elections for Retirement Board members who represent active General and Retired TCERA members. Individuals who are elected to the Board of Retirement serve three-year terms of office. General members have two seats on the Board with the term of office for one of those seats ending as of December 31st of this year. The new term will begin in January 2017 and end in December of 2019.

Retired members will also have an election to select their representatives. Retirees will be able to choose a regular Trustee as well as an alternate who serves in the regular Board Trustee's absence. Both the regular TCERA Trustee and the alternate can be named to serve on TCERA committees and will receive a limited amount of compensation for their attendance at TCERA meetings. The regular Retired Trustee and the Alternate Retired Trustee will take their seats for terms that begin in January of next year and end in December of 2019.

All qualified TCERA members are encouraged to consider representing your fellow TCERA members on the Board of Retirement. The hours can be long and the pay is definitely small, but the results can also be very rewarding. Active participation in the decisions and administration of the retirement plan is the best way to make sure that it remains secure and is able to meet the retirement needs of both current and future members.

Survivor Benefits

Most members of the Tulare County Employees' Retirement Association are somewhat aware of the pension benefits that they will receive at retirement. But did you know that many of the same benefits can continue on to your qualified survivor or beneficiary following your death? Below is a brief description of retirement allowances your qualified beneficiary may be eligible to receive:

Death Before Retirement

If you would have been eligible for retirement, but die as the result of an non-work related injury or illness prior to retiring, your surviving spouse will have the right to a pension equal to 60 percent of the monthly retirement allowance that you would have received if you had been retired due to non-service-connected disability. In order to qualify, your spouse must have been married to you for at least one year prior to your date of death.

Death After Retirement

If you die **following** your retirement for regular service retirement or non-service-connected disability, a 60% lifetime continuance of your benefit can be paid to your eligible surviving spouse. No allowance, however, shall be paid to a surviving spouse unless she or he was married to you for at least one year prior to the date of your retirement.

Upon your death after retirement for service-connected disability, the same regular retirement allowance, plus cost-of-living increases, that you were receiving at the time of your death will continue to your qualified surviving spouse. A qualified spouse under this section is one who was married to you on or before your effective date of retirement. *(Continued next page.)*

Survivor Benefits *(Continued)*

If you have no spouse, or would like to leave a larger amount as a continuance for your survivor, you can elect to choose a smaller monthly benefit for yourself and select a benefit option that will pay a lifetime 50 percent or 100% continuance to your beneficiary. The amount of reduction that you must take in order to offer these benefits to your beneficiary depends in large part on the age difference between you and the survivor. You can receive more information on these alternative retirement options by contacting the Retirement Office.

Other Special Provisions

In the event that your surviving spouse **does not** qualify for survivor benefits under the provisions stated above, a continuance may still be paid to your spouse depending upon the retirement option you chose at retirement and **if** he or she was married to you at least two years prior to the date of death and reached the age of 55 years on or prior to your date of death.

In the event that you die with no qualified surviving spouse, a minor child, or children, can be paid the continuance for a period of time while still a minor and continuing to age 22 if a full-time student.

Other restrictions and benefit options may apply. Contact the Retirement Office should you have any questions regarding an individual who may qualify for receiving a survivor's or beneficiary's retirement allowance.

Purchasing Retirement Service Credit

TCERA permits active and deferred status members to purchase Retirement Service Credit for certain periods. If you wish to purchase additional Service Credit you may contact the Retirement Office and ask for a "Request to Buy-Back Service Credit" form, or download the form from TCERA's website at www.tcera.org. You may purchase Service Credit for the following periods:

- Previously withdrawn TCERA service
- Disability Leave covered by Worker's Compensation
- Medical Leave of Absence, limited to 12 consecutive months per occurrence, **if** you returned to service following the leave
- Extra-help, provisional or temporary service with the County, or other participating employers, prior to the time you were eligible for TCERA membership
- Certain periods of military service

You have two choices of how to make payments for purchasing additional Retirement Service Credit.

Lump Sum Payment – You may submit a personal check, payable to TCERA, for the entire amount due. Such payments are made on an "after-tax" basis. It is also so possible for you to pay for the buyback through the rollover of funds from another qualified retirement program such as an IRA or the 457 (Defined Contribution) Program.

Payroll Deductions – You can authorize payroll deductions to pay the amount due. You will be charged additional interest until the buy-back is completed for these after tax contributions. **This option is irrevocable. You cannot change the amount of your payroll deduction until you complete the buy-back or terminate employment.**

Your purchased Retirement Service Credit counts only toward determining the amount of your retirement benefit and does **not** affect other employer benefits such as seniority, vacation or sick leave accrual rates. The service will only be added to your account after the total amount has been paid.

Changes to be Made to SRBR Benefits

Many retirees are aware that a rather unique feature of the TCERA retirement program is the manner in which "excess earnings" (that is those earnings above what the plan expects to make on its investments) are used to benefit the various participants in the retirement system. Certain sections of the California Government Code that have been adopted by Tulare County provide specific guidelines for how excess earnings are to be distributed. The portion of the excess earnings received by the Plan Sponsor (the County and outside Districts) helps to reduce their contributions required for the payment of retirement benefits. Active members of the plan receive their portion through additional interest credited to individual member accounts. The largest portion, however, goes into what is called the Supplemental Retiree Benefit Reserve (SRBR) which is used to pay for retirement benefits in addition to the basic retirement allowance earned by members.

The Trustees of the Board of Retirement are committed to offering supplemental benefit amounts to current and future retirees for as long as the funds in the SRBR are available. The current investment environment has not, however, allowed for additional "excess earnings" to be credited to the SRBR. This, combined with an ever-growing pool of retirees, has caused the Retirement Board to approve changes in the cash benefit amounts paid out of the SRBR. Those changes include:

- **Reducing the monthly cash benefit amount to $12.50 per year of qualifying service;**
- **Doing so over a four-year period that started as of July 1, 2013;**
- **Reducing the cash benefit amount again to $16 per year of qualifying service on 7/1/14; to $15 as of 7/1/15; to $14 as of 7/1/16; and once again to $12.50 as of July 1, 2017.**

Effective July 1, 2016, retirees eligible to receive full supplemental cash benefits will be paid their monthly amounts in accordance with the following schedule:

Years	Amount	Years	Amount	Years	Amount
10	$140.00	14	$196.00	18	$252.00
11	$154.00	15	$210.00	19	$266.00
12	$168.00	16	$224.00	20	$280.00
13	$182.00	17	$238.00		

Survivors and beneficiaries are reminded that they are paid supplemental benefits that are equal to one-half of the amount paid to the original retiree. As of July 1st of this year, survivors and beneficiaries will also see a decrease to their monthly supplemental amounts and will receive 50% of the reduced schedule shown above.

Members must keep in mind that, unlike the basic retirement benefit, **the amounts paid out of the SRBR are not guaranteed**. The Board of Retirement could reduce or delete these benefits at any time. The Retirement Board will direct the plan's Actuary to conduct further studies as part of the annual valuation to track the level of SRBR liabilities against assets. Doing so will allow the Board to better plan for further benefit revisions that may be required and to manage the SRBR asset pool more effectively.

Tier IV members must also be aware that SRBR features of the TCERA plan are **not** applicable to those employees who become plan members on or after January 1, 2013 and who are under Tier IV of the retirement system.

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What is an "Actuarial Valuation"?

The annual actuarial valuation report is one of the most important documents produced by TCERA. It gives a "snapshot" view of the plan's funded status, contribution rates, projected liabilities and current assets along with data regarding the number of active and retired members in the plan. An actuarial valuation measures the experience of the retirement plan over the prior 12 months in areas such as the number of people hired by the employers, employees terminated, those who retired and those who have become disabled. An actuarial valuation reviews areas such as age and years of service of members, salary increases, inflation rates and TCERA's investment returns. The data gathered is compared to other years of plan experience. This information allows the actuary to make assumptions regarding the plan's future experience. From this the pension plan can project liabilities (now and in the future) and use this information to calculate the contributions needed by employers and employees to keep benefit promises funded. TCERA completes its annual actuarial valuation using data as of June 30th of the current year. The results produced from that data impact contribution rates for the ***following*** fiscal year.

Employers and employees share responsibility for financing the retirement plan, but plan experience impacting the contribution rates differ in significant ways. For example, it is the responsibility of the employers to pay for additional liabilities that result from what TCERA ***assumes*** retirement liabilities will be versus those generated through ***actual*** plan experience. This amount is known as the Unfunded Actuarial Accrued Liability (UAAL). Superior investment experience by TCERA helps to cover the UAAL costs and can act to lower the plan sponsors' rates of contribution. Investment returns will also influence the amount of interest credited to plan member accounts as well as the amount credited to the Supplemental Retiree Benefit Reserve (used to enhance benefits for retirees).

For active employees, four major issues influence retirement contribution rates: the assumed rate of return on investments; salary increases; life expectancy; and the employee portion of COLAs received in retirement. The annual actuarial valuation assists the Retirement Board by measuring this data and allowing the Plan to set contribution rates to keep TCERA well-funded and secured.