



Tulare County Employees' Retirement Association

Pension Progress

Keeping Members Informed

www.tcera.org

Phone: (559) 713-2900

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YOUR TCERA PLAN MEMBERSHIP

Members of the Tulare County Employees' Retirement Association (TCERA) fall under a variety of membership types and benefit formulas. Under TCERA, your membership type depends upon the work you do. Employees whose primary job functions include law enforcement or fire suppression are classified as Safety members. All other employees are classified as General (or Miscellaneous) members. The two types of members, General and Safety have different benefit formulas and employee contribution rates. Safety members have higher benefit formulas than do their General member counterparts. Safety members also pay higher rates of employee contributions than do General members.

Within each of the two types of plan membership exist four benefit tiers. Tier status is the same for all membership types (General and Safety) and depends upon when you became a TCERA plan member. In almost all cases you can determine your Tier by referring to the following chart:

You are Tier

I
II
III
IV

If Your TCERA Membership

began on or before 12/31/79
began from 1/1/80 through 12/31/89
began on 1/1/90 through 12/31/12
began on 1/1/13 and after

Tier I members (both General and Safety) enjoy the highest level of benefits. Tier II and Tier III members have identical benefit formulas, with the application of certain Internal Revenue Code restrictions on benefits – which occurs only under very limited circumstances - being the only difference between these two tiers. Tier I, II, and III members who meet eligibility requirements may receive additional retirement benefits paid through the Supplemental Retiree Benefit Reserve, a special reserve designated for additional, non-guaranteed retiree benefit amounts.

Tier IV retirement benefits are calculated based on a benefit formula that was enacted by the California State Legislature effective as of January 1, 2013. Tier IV members are not eligible for the additional retirement benefits paid out of the Supplemental Retiree Benefit Reserve.

While most members will remain under the same Tier throughout their careers with TCERA, it is sometimes possible to regain membership under a prior tier. An individual who was formerly a TCERA member, terminated membership, withdrew their funds and has returned to active TCERA membership under a different Tier can regain prior tier membership by re-depositing their withdrawn contributions and interest. In a similar manner, an individual who started membership with TCERA on or after January 1, 2013 may qualify for membership in TCERA's Tier III if the employee can establish a reciprocal link between TCERA and another qualified retirement plan. If you think that you might qualify for membership in a different tier, contact the Retirement Office and we will provide you with additional information.

Termination From TCERA Membership



Upon termination of retirement plan membership, you will be given several options for handling the funds in your retirement account. Your primary options will be to withdraw your contributions and interest from TCERA, leave your funds on deposit with the retirement plan, or retire if you are eligible to do so. Your actual decision may be impacted by the following factors:

- Members of **Tiers 1-3** who have at least five (5) years of service credit with TCERA alone, or combined with other eligible retirement plans, may choose to leave their retirement contributions and interest on deposit with TCERA and receive a deferred retirement benefit as early as when they meet the minimum eligibility requirements. **Tier 4** members can retire with only five (5) years of retirement service credit and as long as they meet the minimum age for retirement.
- If you have less than 5 years of retirement service credit, you can choose to leave your funds on deposit with TCERA and continue to earn interest. You may then withdraw your funds at any time.
- Should you leave your present employment to accept a job with certain other state or local public agencies in California (known as “Inter-System Membership”) and do so within 6 (six) months of your termination of membership from TCERA, you may choose to leave your retirement contributions and interest on deposit with TCERA and receive a retirement benefit at a later date. This is commonly referred to as “establishing reciprocity”.
- If you currently meet the eligibility requirements, you can choose to apply for a regular service retirement. You cannot choose to withdraw your funds if you plan to receive a retirement allowance.
- Regardless of your length of service, if you believe that you are permanently disabled from your job, and the disability was caused by job-related injury or illness, you have the right to apply for a service connected disability retirement. **A requirement for receiving a disability retirement is that your retirement contributions and interest must remain on deposit with TCERA.**
- If you believe that you are permanently disabled from your employment, but that the disability was not caused by your job, **and** if you have at least five (5) years of retirement service, you have the right to apply for a non-service connected disability retirement. **A requirement for receiving a disability retirement is that your contributions and interest must remain on deposit with TCERA.**

If you decide to withdraw your funds from TCERA, you will have additional options to choose from in handling your retirement distribution. These options include a cash withdrawal, a rollover, or a combination of rollover and cash withdrawal. Each of these choices can be briefly described as follows:

- **Cash Distribution.** If you request the entire amount of your retirement contributions and interest in cash, TCERA is required to withhold 20% of the taxable portion of your payment for federal tax withholding. Generally, all contributions made to the plan since approximately September of 1986, and the entire amount of interest earned on all contributions, is considered to be taxable income. In addition, if you are under age 59 ½ at the time of the cash distribution, you will probably be subject to additional Federal and State excise taxes. TCERA staff is available to discuss these penalties further with you at the time you make your distribution choice. Be sure to talk to the Retirement Office staff should you have any questions. *(Continued on next page.)*

TCERA Responds to Frequently Asked Questions

Q. I've never really understood what it means to have a "Defined Benefit" retirement plan. Why is it important to me?

A. Under a Defined Benefit type of retirement system (like TCERA), a formula is used to calculate the plan member's retirement allowance. The more generous the formula, the higher the retirement benefit for plan members. TCERA uses four major components under our plan in calculating your retirement allowance: 1) your final average salary, 2) your membership type and tier, 3) your years of retirement service, and 4) your age at retirement. The higher the value for any one or a combination of the components in the formula, the higher your monthly retirement benefit will be. A Defined Benefit retirement program is designed to pay the pension benefit for the life of the retiree – another important feature of the TCERA plan.

Q. What happens if I live longer than expected? Does my retirement amount get reduced?

A. No. One of the major advantages of a *defined benefit* plan, such as TCERA, is that you cannot outlive your basic retirement allowance. Even though you may very well receive much more in retirement benefits than you ever contributed into the plan, your basic retirement allowance will continue to be paid to you until you die.

Q. What about the flip-side of this? What happens to the money I put into TCERA if I retire but then die *before* I receive an amount that is at least equal to my own contributions and interest?

A. The current plan provisions followed by TCERA require that you, your beneficiary, or your estate get back in benefits an amount that is at least equal to what you put in. If you were to die before receiving an amount equal to your own contributions and interest, your beneficiary would receive amounts in either a monthly continuance or lump-sum payoff (depending upon the option you chose at retirement). If you have no beneficiary the payoff amount would be paid to your estate.

Termination From TCERA Membership

(Continued from 2nd page.)



- **Rollover.** A TCERA member can avoid the tax withholding and excise tax amounts resulting from a withdrawal by electing to "roll over" the entire amount of your taxable distribution into an IRA or other qualified retirement program. Taxes would not be due until you withdraw the funds from the IRA or new retirement program. Should you choose this option, you must inform TCERA of the name of the financial institution or retirement program that will receive the funds. The distribution check will be sent by TCERA to **you**, but will be made payable to the institution or plan you have designated. Again, we encourage you to speak with TCERA staff should you have questions concerning your rollover options.
- **Combination Distribution.** You are also allowed the option of receiving part of your distribution in cash and rolling over the remainder. The same rules as described above apply for the part that is received in cash and the part that is rolled over.

Besides speaking with members of the TCERA staff, you are encouraged to speak with a qualified financial planner or tax advisor before electing to receive your distribution. Contact the Retirement Office at (559) 713-2900 if we can assist you further.

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Further Changes to SRBR Benefits

As reported previously, the TCERA Board has taken steps to allow for the payment of additional cash benefits from the Supplemental Retiree Benefit Reserve (SRBR) to those plan members who qualify to receive them. In order to offer these additional amounts to current and future retirees for as long as possible, the Retirement Board has approved 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 as of July 1st, 2017.**

As a result, retirees eligible to receive full supplemental cash benefits will be paid their monthly amounts in accordance with the following schedule:

<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>	<u>Years</u>	<u>Amount</u>
10	\$125.00	13	\$162.50	16	\$200.00	19	\$237.50
11	\$137.50	14	\$175.00	17	\$212.50	20	\$250.00
12	\$150.00	15	\$187.50	18	\$225.00		



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. **The changes to SRBR amounts will first be shown on retiree pensions checks dated July 31, 2017.**

Members must also keep in mind that, unlike the basic retirement benefit, **the amounts paid out of the SRBR are not guaranteed.** Tier IV members should note that SRBR features of the TCERA plan are **not** applicable to those new employees who become plan members after January 1, 2013 and who are under Tier IV of the retirement system.