Tulare County Employees' Retirement Association

Pension Progress

Phone: (559) 713-2900 www.tcera.org

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Changes To Be Made to SRBR Benefits

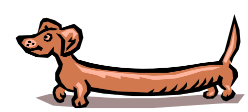
Many retirees are aware that a rather unique feature of the TCERA retirement program is the manner in which "excess earnings" (that is those earnings above what the plan expects to make on its investments) are used to benefit the various participants in the retirement system. Certain sections of the 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 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 to $16 per year of qualifying service effective 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, 2014, 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	$160.00	14	$224.00	18	$288.00
11	$176.00	15	$240.00	19	$304.00
12	$192.00	16	$256.00	20	$320.00
13	$208.00	17	$272.00		



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 effectively.

Tier IV members must also be aware 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.

What is an "Actuarial Valuation"?

An actuarial valuation seeks to measure the experience of the retirement plan over the prior 12 months in areas such as the number of people hired by the plan sponsors, the number of employees terminated, the number who retired and the number who have become disabled. An annual actuarial valuation will also review areas such as the age and years of service of the plan members, salary increases, inflation rates and the plan's investment returns. The data gathered is then compared to other years of plan experience. This information allows the actuary to make some reasonable assumptions as to what the plan's experience will be like in the future. From this the pension plan can make assumptions regarding its projected liabilities (now and in the future) and can use this information to calculate the amount of contributions needed by both employers and employees to keep current and future benefit promises properly 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. (Example: The data from TCERA's June 30, 2013 actuarial valuation impact the employer and employee contribution rates for the fiscal year 2014-15.)

Both the employers and employees share responsibility for financing the retirement plan, but plan experiences affecting the contribution rates of employees and employers can differ in significant ways. For example, it is the responsibility of the plan sponsors (County and other employers) to pay for any additional liabilities that result from what TCERA ***assumes*** retirement liabilities will be versus the liabilities generated through ***actual*** plan experience. Liability amounts created due to the difference between assumed experience and actual experience is known as the Unfunded Actuarial Accrued Liability (UAAL). The plan sponsors are fully responsible for payment of the UAAL. Superior investment experience by TCERA helps to cover the UAAL costs and can act to lower the plan sponsors' rates of contribution. Although investment performance does not have a direct impact on member contribution rates, investment returns will have an influence on the amount of interest credited to plan member accounts as well as affecting the amount credited to the Supplemental Retiree Benefit Reserve (used to enhance benefits for retirees).

For active employees, there are four major issues that will influence changes in the annual rates of retirement contributions. Those include:

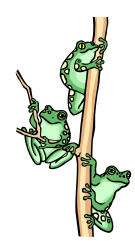
- **the assumed rate of return on plan investments;**
- **the assumption related to salary increases;**
- **life expectancy;**
- **the employee portion of COLAs received in retirement**

The annual actuarial valuation report is one of the most important documents produced by TCERA. It gives plan members, plan sponsors and others a "snapshot" view of the plan's funded status, rates of contributions, projected liabilities, current assets along with demographic information regarding the number of active and retired members in the TCERA plan. TCERA is now gathering the data needed for this year's June 30th actual valuation study. Individuals who would like to review actuarial reports from prior years can do so by visiting our website at www.tcera.org.

TCERA and Your Social Security Benefits

The Retirement Office staff often receives questions about the impact your TCERA retirement benefits might have on benefits you will also be eligible to receive from Social Security.

Generally the questions regarding Social Security and the TCERA retirement plan fall into three major areas of concern:



1) How do these dual benefits impact me as a county or outside district employee?
2) Do our TCERA pensions reduce our Social Security benefits?
3) Does the federal "Windfall Elimination Provision" apply in California?

(Continued on next page.)

TCERA and Your Social Security Benefits *(continued)*

Many of these issues pertain to Social Security Administration provisions and not just to the specific state laws that govern the Tulare County Employees' Retirement Association. As a result, you are encouraged to contact the Social Security Administration for additional information regarding these matters.

Our response to the first two questions is that Tulare County and outside district employees pay into both Social Security and TCERA so that at some point you will be able to retire from both systems and receive retirement benefits. Pension payments from TCERA will not reduce the amount you receive from Social Security.

However, there are current TCERA members for whom "The Windfall Elimination"(SSA Publication #005-10045), or the "Government Pension Offset" (SSA Publication #05-10007), provisions create a possibility that retirement benefits received as a result of work with a government entity might impact the amount of your Social Security benefits.

We emphasize the word "might" because, as stated in both the Windfall Elimination and Government Pension Offset publications, the social security benefit reduction is based upon work for an employer who doesn't withhold Social Security taxes. Tulare County (and the outside district employers that belong to TCERA) <u>do</u> withhold Social Security taxes from their regular employees. As a result, a pension earned solely on work with Tulare County would not currently have an impact on the benefits you might also eventually receive from Social Security.

Some members of TCERA, however, have come to us with previous service with an employer that <u>does not</u> participate in Social Security. A few examples of these employers include the California State Teachers, the State of California and some of the larger local government employers such as the City and County of Los Angeles, the County of Orange and others. Pension benefits earned as a result of service with these government agencies may reduce the Social Security benefits for employees who retire from these agencies.

The Windfall Elimination Provision publication also indicates that there are some ways that those people who would otherwise be impacted by the reduction in Social Security benefits might still be exempted from the current rules. One way to avoid having Social Security benefits reduced is to have 30 or more years of "substantial earnings" under Social Security. Because Tulare County does withhold Social Security taxes from the pay of its regular employees, your service with Tulare County should count towards the 30 years of "substantial earnings".

As stated above many of the issues raised here are related to the administration of Social Security benefits rather than those of TCERA. If you are concerned that any of the Social Security reductions might apply to you we urge you to obtain additional information about your individual work history from the Social Security Administration. We also encourage you to visit their website at www.ssa.gov.

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. *(Continued on last page.)*

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Survivor Benefits *(continued)*

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.

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.