TULARE COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

"TCERA"

PLAN SUMMARY

A GUIDE TO PLAN BENEFITS

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Revised November 2024

A MESSAGE FROM THE TULARE COUNTY BOARD OF RETIREMENT

Dear TCERA Member:

The Tulare County Employees' Retirement Association (TCERA) is pleased to present you with this Plan Summary. Your retirement plan is an important part of your overall benefits package available to you as an employee with one of our participating employers. We urge you to take the time to become familiar with the plan and its benefits. You may also wish to encourage your dependents and beneficiaries to become familiar with the plan.

This booklet is intended to give members and interested parties a general picture of retirement benefits available through TCERA and the manner in which the system and plan operate. It is impossible to cover all issues or address every contingency in a document of this type. If you have additional questions, please contact the Retirement Office.

In accordance with the law, your individual records in the system are confidential and cannot be disclosed to anyone except where the courts have determined retirement data to be public information, as may be necessary for plan administration, upon court order, or by the member's written authorization. To comply with these legal requirements, individual account information cannot be given out over the telephone to any person, even the member. If you need to request personal, confidential information, please do so in writing or in person at the Retirement Office.

Each year the California Legislature makes revisions and additions to retirement law. TCERA makes every effort to present plan information in an accurate manner in conformity with current law. Any discrepancies between the law and information in this booklet, however, will be resolved in accordance with the law.

Additional information regarding the retirement plan is available in the Annual Comprehensive Financial Statement (ACFR) prepared by TCERA each year. Members are encouraged to read the ACFR which is available on TCERA's website or upon request from the Retirement Office.

The Board of Retirement wishes you the best in your career in public service and hopes that this Plan Summary will be of assistance in helping you plan for a successful and satisfying retirement.

Sincerely,

Tulare County Board of Retirement

Table of Contents

GENERAL INFORMATION

TCERA is a retirement system, organized under the County Employees Retirement Law of 1937 ('37 Act), a Division of the California Government Code (§ 31450-31899.10). The system provides retirement, disability, and death benefits to the employees, retirees, and former employees of the County of Tulare, the Tulare County Superior Court, and the Strathmore Public Utility District.

TCERA's principal responsibilities include: management of the trust fund; delivery of retirement, disability, and death benefits to eligible members; administration of cost-of living programs; and general assistance in retirement and related benefits.

The retirement system was established on July 2, 1945, as approved by the voters of Tulare County. Upon a referendum held among eligible employees, the system integrated its benefits with the Social Security system effective October 1, 1958. As of January 1, 1987, the Board of Supervisors adopted Internal Revenue Code Section 414(h)(2) which provided that member retirement contributions are taken on a tax deferred basis. The Strathmore Public Utilities District was not included in this action and, therefore, continues taking member retirement contributions on a post tax basis.

Other major benefit improvements adopted since the inception of the plan include:

- Fixed formula
- Safety member provisions
- Cost-of-living benefits for all tiers
- Death benefit after retirement
- Supplemental benefits for eligible retirees

TCERA administers a defined benefit plan. This means that members who meet the minimum age and length of service requirements and retire under the plan are guaranteed a certain level of benefits at retirement for life. The retirement plan is a significant part of the overall benefits package provided to eligible employees.

This Plan Summary is made available to provide plan members with general information about the plan. The Retirement Office has Benefit Specialists available to assist with any questions regarding retirement benefits. In addition, TCERA provides seminars throughout the year that provide members with the opportunity to learn more about retirement benefits and provide useful information for retirement planning. If you have specific questions regarding your retirement, please call the Retirement Office or visit our web site. Retirement staff is also available by appointment to discuss more complex retirement issues or concerns.

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BOARD OF RETIREMENT

The TCERA Board of Retirement (Board) is responsible for establishing policies governing the administration of the retirement plan, making benefit determinations and managing the investment of the system's assets. The Board operates under authority granted by Article XVI of the Constitution of the State of California.

The TCERA plan is governed by the provisions of the County Employees Retirement Law of 1937, Title 3, Division 4, Part 3, Chapter 3 (commencing with Section 31450) of the California Government Code, The United States Tax Code, and case law applicable to public employee pension plans.

The TCERA Board is a nine-member Board comprised as follows:

- Four trustees are appointed by the Tulare County Board of Supervisors, one of which may be a member of the Tulare County Board of Supervisors.
- Four trustees are elected by TCERA's members, two elected by General members, one elected by Safety members, and one elected by Retired members.
- The County Auditor-Controller/Treasurer-Tax Collector is an ex-officio member of the Board.

Alternate Board members may also exist for the Auditor-Controller/Treasurer-Tax Collector, the Safety member, and Retired member according to applicable law. Board members serve three-year terms in office, with no term limits.

BOARD OF RETIREMENT MEETINGS

Meetings of the Board of Retirement are open to the public and are subject to the requirements imposed by the Ralph M. Brown Act regarding public meetings. Agendas for Board meetings are posted at the Retirement Office at least 72 hours in advance of each meeting. Whenever possible, agendas are also posted on TCERA's website (www.tcera.org). Shorter posting times may apply under certain circumstances.

Board Agendas, approved Minutes, and back up materials are available upon request at the Retirement Office and on TCERA's website. Board and Committee meeting dates and times are posted on TCERA's website calendar and are also available upon request from the Retirement Office.

Board and Committee meetings are generally held at the Retirement Office. Any change in location of a meeting will be included on the posted meeting agenda. For additional information regarding Retirement Board or Committee meetings, please contact the Retirement Office.

MEMBERSHIP

Eligibility

All regular, permanent employees of Tulare County who are scheduled to work at least 40 hours per pay period (i.e. at least ½ time), automatically become members of TCERA. Membership is always effective as of the first day of the pay period. If the member is employed for the entire pay period, the membership date will be as of the first day of that pay period. If the hire date is in the middle of the pay period, membership is effective on the first day of the pay period following entrance into qualified employment; therefore, the membership date in the plan may not be the same as the hire date with the employer. Under certain circumstances, membership in TCERA may be delayed in order to allow for establishing a reciprocal link with another qualified retirement plan.

Certain elected officials are also eligible for membership in TCERA; however, elected officials do not automatically become members, but must file a declaration to join membership. Membership may be waived by any employee who is age 60 or older as of his/her date of hire with the Employer by signing a Waiver of membership form and filing it with TCERA. Newly elected officials and newly hired employees over the age of 60 are encouraged to contact the Retirement Office for additional information.

Employees who are employed in temporary, seasonal, intermittent (extra help), or part-time (i.e. less than ½ time) positions are not eligible for membership. Individuals working under contract (independent contractors) also fall in the category of employment that is ineligible for membership in the retirement plan.

Membership Type

TCERA has two types of members, General members and Safety members.

- Safety members include employees working in active law enforcement and fire suppression positions which have been designated as Safety positions by the Board of Retirement (e.g. Deputy Sheriffs, Welfare Fraud Investigators, and District Attorney Investigators).

- General members include all members not specifically classified as Safety members.

Membership Tier

Members of TCERA fall under a variety of retirement formulas adopted by the Tulare County Board of Supervisors that are assigned based on various "tiers" of benefits. TCERA has four different membership Tiers based on the date of plan membership:

- Tier 1 – Membership date prior to 1980. These members are eligible for the highest lifetime retirement benefits available from TCERA and are eligible for a maximum of 3% annual cost-of-living adjustment on their benefits after retirement. Tier 1 Safety members are not subject to IRS Code Section 415 limits. Tier 1 General members who terminated employment and deferred their retirement prior to January 1, 1990 are not subject to IRS Code Section 415 limits. All other Tier 1 General members are subject to the limits imposed by the IRS. Tier 1 members may be eligible for non-vested supplemental benefits from a Supplemental Retiree Benefit Reserve, a special reserve designated for supplemental retiree benefits, as established by the Board of Retirement from time to time.

- Tier 2 – Membership date on or after January 1, 1980 through December 31, 1989. These members also are eligible for lifetime retirement benefits. The formula used to calculate their pension results in slightly lower benefits than Tier 1. Tier 2 members are eligible for a maximum of 2% annual cost-of-living adjustment on their benefits after retirement. Tier 2 Safety members are not subject to IRS Code Section 415 limits. Tier 2 General members who terminated employment and deferred their retirement prior to January 1, 1990 are not subject to IRS Code Section 415 limits. All other Tier 2 members are subject to the limits imposed by the IRS. Tier 2 members may be eligible for non-vested supplemental benefits from a Supplemental Retiree Benefit Reserve, a special reserve designated for supplemental retiree benefits, as established by the Board of Retirement from time to time.

- Tier 3 – Membership date on or after January 1, 1990 through December 31, 2012. The formula used to calculate retirement benefits for Tier 3 members is the same formula used to calculate Tier 2 benefits. Tier 3 members are also eligible for lifetime retirement benefits, with the same 2% maximum annual cost-of-living adjustment after retirement as Tier 2 members. Tier 3 was established pursuant to Internal Revenue Service requirements to impose benefit limits on some members as defined by IRS Code Section 415. All Tier 3 members are subject to IRS Code Section 415 limits. Tier 3 members may be eligible for non-vested supplemental benefits from a Supplemental Retiree Benefit Reserve, a special reserve designated for supplemental retiree benefits, as established by the Board of Retirement from time to time.

- Tier 4 – Membership date on or after January 1, 2013. Tier 4 lifetime retirement benefits are calculated under benefit formulas established by the California Public Employees Pension Reform Act of 2013 (PEPRA). All Tier 4 members are subject to IRS Code Section 415 limits. Tier 4 members are not eligible for benefits paid through the Supplemental Retiree Benefit Reserve.

IRS Code Section 415 Limitations – Effective July 1, 2005, the Tulare County Board of Supervisors implemented a higher benefit formula for General members in all Tiers on a prospective basis. Because of this benefit improvement, benefits for these members may be limited by IRS Code Section 415 as noted above. The applicability of IRS Code Section 415 limitations remained unchanged for Safety members as no benefit improvement was applied to Safety benefit formulas.

CONTRIBUTIONS

Employee Contributions

All TCERA members are required to pay contributions to the retirement plan. Contributions are made through payroll deductions from the employee's paycheck. Since 1987, retirement contributions made through all entities other than the Strathmore Public Utility District, have been taken on a tax-deferred basis. This means that the retirement contribution is deducted from salary before income tax withholding is calculated by the employer. Tax deferral of contributions may decrease the amount of federal and state income tax withheld from the employee's paycheck. For payments from the plan associated with tax deferred contributions, funds are not taxable until distribution is made to the plan member or beneficiary. Contributions made on the member's behalf through Workers Compensation are made on a post-tax basis.

The Retirement Office sets up a separate retirement account for each member of the retirement system. All of the member's contributions accumulate in this account. The member's contribution account is held solely for the purpose of retirement benefits and, by law, is not available for withdrawal unless membership in the plan is terminated. Similarly, there is no provision in the law that allows TCERA to make loans to a member from the retirement account. The employer has no access to the funds in a member's separate account.

Employee contribution rates are determined by the employee's membership type, tier, and age at entry into the retirement system. The younger the employee is when joining the retirement system, the lower the retirement contribution rate will be. The reason for age-based contribution rates is that an employee hired at a young age has many years of employment in which to contribute toward future retirement benefits. In contrast, an older member entering employment will have less years to make contributions before retiring. Contribution rate information and sample rate calculations are available from the Retirement Office.

Employee contribution rates are adjusted annually by the Board of Retirement based on recommendations made by TCERA's contracted actuary.

There are no provisions in the plan for members to make additional contributions to their separate TCERA retirement accounts. Members are encouraged to pursue other options for increasing retirement savings such as employer-offered deferred compensation plans. Deferred compensation plans are not connected with TCERA in any way, but do provide another method of saving for retirement.

Member Balance Statements

Current balance information is available to members at any time through the submission of a written request to the Retirement Office bearing the signature of the member. Members may also request this information in person at the Retirement Office by presenting picture identification. Member balances are confidential and will not be released over the phone or without the consent of the member. In addition, TCERA provides an annual member's statement to all members in the plan, excluding retirees.

The statement includes contribution and balance information as of December 31st of the preceding year and reports any interest credited to the account during the calendar year.

Please note that employer contributions as discussed below are not deposited in the employee's separate retirement account. Employer contributions are used for payment of lifetime retirement benefits and are not available to the employee at any time or for any purpose other than to pay eligible retirement benefits.

Employer Contributions

TCERA participating employers are required to contribute funds to the retirement plan to fund present and future benefits. The rate the employers pay depends on actuarial projections based on the demographics of the membership population, including age, membership type, and tier status. For example, the employers contribute a higher percentage for Safety members than for General members because the future benefit for Safety members is higher than that for General members. The employer also contributes at different rates for each of the benefit levels in Tiers 1 through 4 based on the benefit formula adopted for each tier. In addition, the investment performance of plan assets affects the calculation of employer contributions.

The employer contribution rates are established annually by the Board of Retirement based on recommendations made by TCERA's contracted actuary. The employer may pre-pay the required contribution and gain a small discount or the employer may elect to pay the contribution with each payroll. The entire required contribution, however, is paid by the employer by one of these two methods each year.

Upon receipt by TCERA, the money contributed by the employers is placed in the pension trust fund. As trust funds, all assets of the retirement system are protected by the California Constitution and cannot be accessed or used by the employer for other purposes. The Board of Retirement has a fiduciary responsibility to safeguard the contributions and investment earnings of the trust fund in order to provide benefits to members.

INVESTMENT OF PLAN ASSETS

There are three sources of funding for TCERA's retirement benefits. The first two are the employer and employee contributions. The third is the return on the investment of plan assets. All of the assets of the retirement system are invested by professional investment management firms who are hired by the Board of Retirement. The funds earned from investment of the plan's assets make up a significant portion of the funds used to provide benefits. It is the Board's fiduciary responsibility to manage these investments prudently.

The Board of Retirement is responsible for selecting qualified managers and diversifying its investments. This means, for example, that they make sure that plan assets are invested in different types of securities, in different companies, and in different regions of the world. They also ensure that assets are managed by a diverse group of professional investment managers carefully selected for their expertise. Diversification spreads out the income return stream and the investment risk of the pool of assets while the proper selection of managers ensures that the fund receives top quality security selection.

To augment the Board of Retirement's expertise in these matters, the Board works with an investment consulting firm to establish and monitor its Investment Policy. Investment Manager Guidelines for each selected manager are implemented to ensure compliance with the policy. The Board and Investment Consultant meet regularly to review performance and the status of current managers to ensure that the investment portfolio is meeting the long-term objectives of the fund.

Funding for future retirement benefits calls for a long-term outlook. The plan is expected to remain in place to offer benefits to many future generations of employees. As a result, the Board's Investment Policy uses an appropriately long-term investment horizon. The Board cannot predict nor guarantee the performance of investments, especially over short-term periods. The Board can, however, make assumptions for the long-term based on sound information and advice.

As a defined benefit plan, the payment of promised benefits is not dependent on investment returns. Regardless of the return on investments, the basic retirement benefit will not decrease. The health of the plan, however, is greatly enhanced through the prudent and wise investment of assets.

For more information regarding the financial status of TCERA, please refer to the Annual Comprehensive Financial Report (ACFR) prepared each fiscal year. This report details TCERA's income and expenses, shows the system's assets and liabilities, and provides an accounting of the system's reserves. The ACFR also provides performance and membership statistics over the last ten years. Board of Retirement trustees and TCERA staff are also listed in the report. The ACFR is available on TCERA's website. A copy can also be obtained from the Retirement Office upon request.

MEMBERSHIP STATUS

TCERA membership status is assigned based on the current circumstances for the member. Specific information regarding options and activity associated with these statuses will be discussed in detail in separate sections of the Plan Summary:

- Active – An employee who is eligible for membership at the beginning of a pay period becomes active with TCERA as of the first day of the pay period. If the hire date is in the middle of a pay period, active membership begins as of the first day of the following pay period. Members stay in active status while working in qualified employment status with a TCERA participating employer.

- Deferred Non-Vested – An employee who terminates employment with less than five years of service is a Deferred Non-Vested member.

- Deferred Vested – an employee who terminates employment with five years or more of service credit is a Deferred Vested member.

- Deferred Reciprocal – an employee in any Deferred status who has established an outgoing reciprocal link with another system is a Deferred Reciprocal member. This may also be referred to as inter-system membership. Members should refer to the RECIPROCITY section of the Plan Summary for additional information regarding reciprocity.

- Retired – an employee who terminates employment and retires with the plan or a deferred member who enters into retirement at a later date is a Retired member. Retirement classifications include Service Retirement, Non-Service Connected Disability Retirement, and Service Connected Disability Retirement.

BENEFICIARY DESIGNATION

Every TCERA member is requested to complete a Designation of Beneficiary, naming the individual(s) to whom any death benefits payable from the plan should be made in the event of the member's death. Members are encouraged to read the Designation of Beneficiary form carefully as it provides important information regarding the designation.

California is a community property state. If a member is married at the time of membership or if the member marries while working as a TCERA plan member, the member's spouse has rights to the community property interest in the retirement account.

In certain circumstances, the member's spouse may have rights to some death benefits, regardless of whether the spouse is named as the designated beneficiary. Additional information regarding this is addressed in the DEATH BENEFITS section of the Plan Summary.

Members are encouraged to keep their beneficiary designations up to date. Designation or Change of Beneficiary forms are available on TCERA's website. Forms are also available upon request from the Retirement Office. Questions regarding completion of the form should be directed to Retirement Office staff.

Please note that the beneficiary designation for TCERA purposes is independent of any beneficiary information provided to the employer for employer benefits such as life insurance. Beneficiary information submitted to the employer does not update beneficiary information for retirement death benefits.

CHANGE OF NAME

Members in Active employment status should report change of name information to the department payroll clerk. The updated information will be reported to TCERA by the employer. TCERA does not have the ability to make permanent changes to name records for members in Active employment status.

Members in any deferred or retired status should report change of name information directly to the Retirement Office. Change of Address or Name forms are available on TCERA's website. The forms are also available upon request from the Retirement Office. Please note that the member will need to provide TCERA with acceptable documentation to support the name change (e.g. marriage certificate or court approved name change).

CHANGE OF ADDRESS

Members in Active employment status should report change of address information to the department payroll clerk. The updated information will be reported to TCERA by the employer. TCERA does not have the ability to make permanent changes to address records for members in Active employment status.

Members in any deferred or retired status should report change of address information directly to the Retirement Office. Change of Address or Name forms are available on TCERA's website. The forms are also available upon request from the Retirement Office.

RECIPROCITY

Reciprocity (also referred to as inter-system) refers to the ability for members to "link" retirement benefits among California public agency employers. A member who has previously worked for another California public agency with which TCERA has a reciprocal agreement and who meets eligibility criteria can establish reciprocity between the retirement systems. Reciprocal membership is designed to reward career public employees who serve more than one California public agency during their working lifetimes. The benefits of reciprocal membership are substantial when a member retires. Members with prior employment with another California public agency or who are considering leaving TCERA membership to work for another California public agency are encouraged to read this information carefully to determine eligibility. The decision to elect reciprocal membership is irrevocable under most circumstances. Members should attain a thorough understanding of the effects of reciprocity on future retirement decisions before electing this option. Questions regarding reciprocal membership should be directed to the Retirement Office.

Reciprocity Eligibility

To be eligible for reciprocal member status, three conditions must be satisfied:

1. The reciprocal plan must have a reciprocal agreement with TCERA.

2. The employee must have retained membership in the previous plan by leaving all contributions on deposit with the prior retirement plan.

3. The employee must have no more than a six month break in service from the date of termination with the previous employer to the date of membership in the new plan.

Incoming Reciprocity

A member who established membership with the retirement system of another California public agency and becomes a member of TCERA within 6 months of termination from the prior employer is eligible for incoming reciprocity. The member must indicate interest in reciprocity on the New Member's Enrollment Affidavit. Upon receipt of the affidavit, TCERA will confirm the membership status with the former retirement system, and incoming reciprocal membership is established. The member's age of entry is adjusted to the age at which the member joined the previous system. This establishes a lower contribution rate based on the new entry age as described in the EMPLOYEE CONTRIBUTIONS section of the Plan Summary.

A member who joins TCERA on or after January 1, 2013 and who elects reciprocity with another qualifying retirement plan will be placed in TCERA's Tier 3 as long as membership with the prior plan began before January 1, 2013. Depending on the member's entry age, this may result in the member owing some contributions to the plan for pay periods during Tier 4 membership. This will depend on the offsetting effect of the member's new age of entry.

Outgoing Reciprocity

Outgoing reciprocity is established when a member enters deferred status with TCERA and establishes membership with a reciprocal system within six months of termination of employment with the TCERA employer. The member must submit the request for reciprocity with the current employer. Outgoing reciprocity is established when the new plan provides TCERA with the reciprocal membership information and eligibility is confirmed.

Benefits of Reciprocity

There are several benefits to reciprocity:

- Adjusted Entry Age and/or Tier - Adjusted Contributions – As noted above under *Incoming Reciprocity*, a member may be able to lower the employee contribution rate if reciprocal membership results in a reduction in the member's entry age. Depending on the date of entry into TCERA, reciprocity may allow a member to be placed in a tier with a higher benefit. This change in tier will place the member in the contribution category associated with the new tier. This will increase or decrease the member's contributions, based on the member's adjusted age of entry.

- Final Average Salary Calculation – The most significant benefit of reciprocal membership occurs at retirement. At the time of retirement, each retirement system in which reciprocity has been established will use the **highest** salary from any of the reciprocal systems to calculate the retirement benefit. Final average salary is one of the key components in calculating retirement benefits. Because all reciprocal systems are using the highest salary, this will result in a higher benefit amount than if the retirements were calculated separately with the salary information on file with each system.

- Retirement Eligibility – The service earned in reciprocal systems counts toward the eligibility for retirement benefits with each plan (excluding supplemental benefits).

Illustration:

John Doe is a Tulare County employee who became a TCERA member after working with the County of Orange for 7 years. Because Orange and Tulare are both '37 Act counties, John was given the option to elect reciprocity when he terminated active employment with Orange County. He elected to do so and started his employment at Tulare within the required six-month time frame.
After three years of employment he had a total of 10 years of combined service (7 with Orange County and 3 with Tulare County). He, therefore, met the minimum service requirement to be eligible for regular retirement. John was not yet old enough to retire, however, (normally a member must be at least age 50) nor was he personally ready to do so. He continued to work for Tulare County for an additional 20 years and then made the decision to retire at age 65.

John will retire with a total of 30 years of service earned under two retirement plans (7 with Orange and 23 with Tulare). When he files his applications for retirement he must do so with each of the two plans. Upon receiving his applications, the two retirement systems will compare salary information and calculate a monthly benefit based upon his highest earnings under one of the two plans. John's allowance from Orange County will be based upon his Orange County benefit formula and the 7 years of service he earned under that plan. The allowance he receives from Tulare will be based upon his benefit formula with TCERA and the 23 years of service he earned under TCERA. Assuming that John's salary was higher under Tulare County, the Orange County plan will use that information to calculate John's retirement. This is true even though John has not been an active member of that plan for 23 years.

Reciprocal Retirement Date

In order to maintain reciprocity and receive the resulting benefit of reciprocal membership, **the member must retire from all reciprocal systems using the same effective date.** Members are encourage to plan ahead for reciprocal retirements to ensure that communication between the plans can be completed in time for retirement processing.

Retirement Systems with Reciprocal Agreements

All 1937 Act county retirement systems have reciprocal agreements with TCERA. The 1937 Act Systems include:

Alameda	Kern	Merced	San Diego	Sonoma
Contra Costa	Los Angeles	Orange	San Joaquin	Stanislaus
Fresno	Marin	Sacramento	San Mateo	Tulare
Imperial	Mendocino	San Bernardino	Santa Barbara	Ventura

In addition, agencies associated with California Public Employees Retirement System (CalPERS) and the California State Teachers Retirement System (CalSTRS) have reciprocal agreements with TCERA. As a result, TCERA has reciprocal agreements with most counties in California, the State of California, the State Teachers Retirement System, and with many of California's cities. Local cities include the cities of Visalia, Hanford, Tulare, Lindsay, Porterville, and Dinuba. Agreements have also been established with the City of Los Angeles, the City of San Diego, the County of San Luis Obispo, the City and County of San Francisco and the City of Fresno.

Special Reciprocal Provision for Safety Members

Safety members have an option for establishing reciprocity, even if the member has refunded from a former system. If the member is currently a member of a reciprocal plan, the member may redeposit the withdrawn contributions (the amount previously refunded plus interest) to re-establish membership. Upon completion of the redeposit, reciprocity can be established. The employee must have been a Safety member with the former plan <u>**or**</u> a Safety member with the current plan for this second chance at reciprocity.

LEAVES OF ABSENCE

During an unpaid leave of absence, the employer does not process a payroll deduction for contributions since the member has no earnings. Retirement service credit is not earned during an unpaid leave of absence. Medical leaves of absence can be "purchased" to restore the lost service credit. This is discussed in more detail in the PURCHASES OF SERVICE section of the Plan Summary. Members are encouraged to contact the Retirement Office as soon as possible regarding the purchase of medical leaves of absence as the member is required to pay interest on the amount of the purchase.

CHANGE IN ELIGIBLE EMPLOYMENT STATUS

If scheduled hours are reduced below the number of hours required for membership or the job classification changes to a classification ineligible for membership (e.g. extra help, seasonal), retirement contributions are no longer deducted from the member's paycheck and retirement service credit no longer accrues. The member's contributions must remain on deposit with TCERA until employment is terminated. The retirement account remains intact and continues to earn interest. If and when the member resumes work in an eligible job classification, retirement contributions will begin again and service credit will begin to accrue.

DIVORCE/LEGAL SEPARATION

California is a community property state which means that retirement benefits earned during a marriage are an asset which can be divided in the event of a divorce or legal separation. In order for TCERA to properly handle any such division, the following steps should be taken:

- One of the two parties should file a court document called a Joinder. This document joins TCERA as a party to the divorce proceedings. Once filed and served upon the Retirement Office, the Joinder prevents TCERA from paying out any retirement funds until a final judgment is reached.
- TCERA prefers that a Domestic Relations Order (DRO) be submitted as part of the final judgment. The DRO gives specific language as to how the retirement plan assets/benefits are to be divided between the two parties. A sample DRO is available from TCERA. Use of the sample will ensure that the DRO covers the issues important to the retirement plan. The DRO will also help ensure that the instructions for the disposition of retirement assets/benefits are acceptable to TCERA and fall within its policies and procedures.
- A copy of the final judgment as filed with the court must be submitted to TCERA. The copy must have the signature of all parties involved and include a signature or official stamp from the court. The DRO and/or the final judgment must clearly identify how TCERA retirement assets/benefits are to be split. The instructions for division of the property must be acceptable to TCERA under its policies and procedures. If it is not, the parties may be required to return to the court for an amended judgment.

Once an acceptable final judgment is received, TCERA will calculate the division of the retirement plan assets/benefits. TCERA will notify the parties of the amounts they will receive and provide information as to how the parties can receive their portion.

Members are encouraged to notify TCERA of any divorce/legal separation proceedings as soon as possible to prevent delays and ensure the timely distribution of current or future benefits. Whenever a community property split is required, TCERA cannot distribute pension assets/benefits until an acceptable final judgment is received. Members should contact the Retirement Office for more detailed information regarding retirement issues related to divorce/legal separation proceedings.

TERMINATION OF EMPLOYMENT

A member who has terminated employment (is no longer working for a TCERA employer), for reasons other than to elect to receive a TCERA retirement, has several options for the handling of funds in the member's retirement account. Upon notification from the employer that the member has terminated, TCERA will provide the member with a Distribution Election Form, including important required disclosures, to assist the member in choosing one of the following options:

Refund

A refund of retirement contributions is a withdrawal of the member's entire retirement account. A refund terminates all rights to membership in TCERA. The member may not elect to retire or establish reciprocity once a refund is completed. Refunds are processed after the receipt of a correctly completed Distribution Election Form. California law requires that TCERA issue the refund within 6 months of the receipt of the completed form; however, the process generally takes from ten to twelve weeks, unless staffing levels or other administrative delays occur. Members should read the Distribution Election Form carefully as it provides more detailed information regarding refunds. Two types of refunds are available to the member:

- <u>Cash Distribution</u> – Distribution payable directly to the member. If the member elects a cash distribution, TCERA is required to withhold 20% of the distribution amount for mandatory federal tax withholding. The member also has the option to have additional federal or state taxes withheld. The amount of the distribution, as well as the amount of tax withheld is reported at the end of the year on federal form 1099R for the member's use in correctly reporting this information on federal and state tax returns. Members are encouraged to research the tax and penalty implications of a cash distribution. Withdrawals made when the member is under the retirement age established by the Internal Revenue Service may result in both state and federal penalties in addition to income taxes owed on the distribution. Retirement Office staff are not qualified to give tax advice or specific financial planning advice. For assistance with these matters, members should consult with a qualified financial advisor.

- <u>Rollover Distribution</u> – Distribution payable directly to a qualified financial institution for deposit to an account for the benefit of the member that is qualified and agrees to accept rollover funds. A rollover distribution to an Individual Retirement Account (IRA) or other qualified plan of this nature defers the payment of income tax on the distribution and avoids the penalties associated with early distributions. Members may want to consider this type of distribution if there is not an immediate need for the funds. Members may also elect to receive part of the retirement account directly and part as a rollover. Members are encouraged to research the options and tax implications of a rollover distribution. With a combined cash and rollover distribution, the cash withdrawal made when the member is under the retirement age established by the Internal Revenue Service may result in both state and federal penalties in addition to income taxes owed on the distribution. Retirement Office staff are not qualified to give tax advice or specific financial planning advice. For assistance with these matters, members should consult with a qualified financial advisor.

Deferred Retirement

Members may elect to leave their retirement account funds on deposit with TCERA. Members in deferred status may elect retirement sometime in the future if age and service eligibility requirements are met. This option is of particular benefit to vested and partially vested members, as it keeps the member's rights to a future retirement intact. This is also an important option for members to consider who are searching for a job with another California public agency after termination. Deferred Retirement protects the member's right to establish reciprocity in the event that the member establishes membership with an eligible plan within 6 months of termination. Members should refer to the RECIPROCAL MEMBERSHIP, VESTING, and RETIREMENT ELIGIBILITY sections of the Plan Summary for details. If the member does not expect to meet the eligibility requirements or chooses not to retire, the member may elect a refund at a future date. The retirement account will continue to earn interest while the funds remain on deposit.

Reciprocal Membership (Inter-system)

Members may choose to establish reciprocity with another public pension plan in California, provided that plan has a reciprocal agreement with TCERA. Reciprocal membership allows a member to "link" retirement benefits with two or more plans, provided certain criteria are met. The member must attain membership in the new plan within six months of terminating employment with the TCERA Plan Sponsor and retirement funds must be left on deposit with TCERA. Members should refer to the RECIPROCITY section of the Plan Summary for details regarding reciprocal membership.

VESTING

Vesting establishes a member's rights to future retirement benefits. TCERA's vesting schedule establishes those rights as follows:

<u>Tiers 1-3</u>: Tiers 1-3 members are fully vested after achieving ten years of retirement service credit. This means that if age requirements are met, a member is eligible to receive a lifetime retirement benefit from the plan. *Partial vesting* occurs after earning five years of retirement service credit. This means that with five years of service credit, a member has a non-forfeitable right to a retirement benefit, once other eligibility criteria are met. If a member terminates employment when partially vested, a member has the option to leave his/her retirement funds on deposit until the other eligibility criteria are met. Members should refer to the TERMINATION OF EMPLOYMENT (*Deferred Retirement*) section of the Plan Summary for more information regarding the deferred retirement option. Members should refer to the RETIREMENT ELIGIBILITY section of the Plan Summary for details regarding eligibility criteria for retirement.

<u>Tier 4</u>: Tier 4 members are fully vested at five years. As long as all other eligibility criteria are met, five years is the minimum service required for retirement from the plan.

RETURN TO WORK

A member's plan status determines how a member will be classified upon return to work with a TCERA participating employer.

- Vested Deferred Member (minimum of five years of service credit and funds left on deposit with TCERA after termination of employment) – A vested deferred member returning to employment with a TCERA participating employer will receive the original entry age, tier, and membership date in the plan that existed at the time of election of deferred status.

- Non-Vested Deferred Member (less than five years of service credit and funds left on deposit with TCERA after termination of employment) – A non-vested deferred member returning to employment with a TCERA participating employer will receive a new entry age for determining contribution rates. The member will retain the original tier and original membership date in the plan that existed at the time of election of deferred status. A return to service within six months of the date of termination of employment will result in the use of the original entry age for determining contribution rates.

- Reciprocal Member (vested or non-vested deferred member with approved reciprocity with another plan) – A reciprocal member returning to employment with a TCERA participating employer will receive the original entry age, tier, and membership date in the plan that existed at the time of election of deferred status.

- Refunded Previous Member (membership terminated due to refund of contributions from previous period of employment – A refund of contributions and interest after termination of employment also terminates membership in the plan. Returning to employment with a TCERA participating employer results in a new entry age, new tier, and new membership date with the plan. A redeposit of refunded contributions with interest will result in restoring service credit and tier for the member. The PURCHASE OF SERVICE section of the Plan Summary provides details regarding a redeposit of previously withdrawn contributions.

- Retired Member Returning to Work in an Extra Help Capacity – Following a mandatory break in service required by law, retired members may return to work in an Extra Help capacity without affecting pension benefits. Hours worked per fiscal year may not exceed 960 (720 if the retirement was associated with a "Golden Handshake"). If the number of hours worked exceeds the legal limit, TCERA may be required to suspend the member's pension.

- Retired Member Returning to Work in a Regular Employment Capacity – Retired members may not work for a TCERA participating employer in a regular permanent job classification while being paid a retirement benefit. Members considering returning to work in such a capacity should contact the Retirement Office for more information. Upon return to work, the member's pension benefit will be suspended for the duration of employment.

Special conditions may apply to members who were terminated due to a lay-off or for members returning from military service. If either of these conditions applies, members should contact the Retirement Office upon return to employment.

RETIREMENT SERVICE CREDIT

Service credit is one of the key components in calculating a retirement benefit with TCERA. The more service credit a member earns, the higher the benefit will be (up to a maximum of 100% of final average salary). Service credit is calculated from the date of membership and excludes any breaks in service, including unpaid leaves of absence. Retirement service credit is not the same as service calculated by the employer for personnel related issues.

Members earn retirement service credit based on scheduled hours for a pay period. For example, a full-time employee earns 80 hours of retirement service credit for each two-week pay period in which a full retirement deduction is contributed from payroll. Positions that are scheduled for less than 80 hours, but still retirement eligible, will earn prorated credit. For example, a member in a half-time position scheduled for 40 hours per two week pay period will earn 50% credit (40 hours) for each two-week pay period in which a full retirement deduction is contributed from payroll.

Members in unpaid leaves of absence do not earn service credit while in unpaid status because no retirement deduction is contributed from payroll. Members in paid leaves of absence where a full contribution is made, continue to earn service credit. This includes Safety members receiving special 4850 pay during a work-related injury or illness. Service credit lost due to an unpaid leave may be eligible for purchase which allows the credit to be restored. Members should refer to the PURCHASE OF SERVICE section of the Plan Summary for information regarding eligible purchases for periods of unpaid leave.

Subject to Employer personnel rules, sick leave may be eligible for cash out and/or conversion to service credit at the time of retirement. Members should consult their supervisor or payroll clerk for information regarding possible sick leave cash outs or conversion to service credit. Vacation and Compensatory Time Off balances accrued with the employer at the time of retirement are not eligible for conversion. Members are encouraged to discuss the cash out provisions for these accruals with their employer well before the planned retirement date.

PURCHASE OF SERVICE

TCERA members are allowed, under certain circumstances, to purchase retirement service credit. In order to be provided the cost associated with a purchase, members must complete a Request to Buy Back Service Credit form and submit it to the Retirement Office for calculation. Forms are available on TCERA's website or from the Retirement Office upon request. Members pay interest charges on all types of purchases. Members are encouraged to make decisions regarding service purchases as soon as possible to minimize the amount of interest due and because in some instances time restrictions exist for entering into a service credit purchase agreement.

Service purchases may be used to restore lost service or add additional service under the following circumstances:

Previously Withdrawn Contributions (Refund)

If a member formerly worked for a TCERA employer in a retirement eligible position and took a refund of contributions after termination of employment, the member may restore that service credit after returning to active membership with TCERA through a redeposit. The calculation for the amount of the redeposit will include the interest that would have accrued had the funds remained on deposit with TCERA. Once the redeposit funds are credited to the TCERA account, the service credit (and previous tier, if applicable) is restored. Members are encouraged to complete redeposits as soon as possible upon return to work to avoid additional interest charges.

Personal Medical Leave of Absence

Personal Medical Leaves of Absence occurring on or after January 1, 1978 are eligible for purchase if the member returns to paid status following the leave. The purchase period is limited to twelve consecutive months per occurrence. Disability leaves covered by Worker's Compensation are not subject to the twelve month limit. The calculation for the amount required to purchase the leave of absence time includes determining the amount of contributions owed plus accrued interest.

Extra Help, Provisional, or Temporary Service

Employment periods in an extra help, provisional, or temporary classification prior to eligibility for membership with TCERA can be purchased to add retirement service credit to the member's record. The service must have been with a TCERA participating employer and it must have occurred prior to any membership with TCERA. The calculation for the amount required to purchase the leave of absence time includes determining the amount of contributions owed plus accrued interest.

Loss of Service Due to Domestic Relations Order (Divorce)

If following a divorce, the non-member spouse elects a withdrawal of the portion of the member's account awarded to the non-member spouse, the TCERA member may restore the service credit after redepositing the withdrawn funds plus any applicable interest.

Military Leave of Absence

Requests for purchase of military leaves of absence can be submitted upon return to active employment. Members returning from a military leave should contact the Retirement Office for additional information.

Payment Options

Retirement service credit may be purchased with a lump sum payment with a personal check, direct rollover from a qualified retirement program (e.g. 401(k) or deferred compensation), or through payroll deductions from a TCERA participating employer. All service purchases are recorded on a post tax basis unless the funds are received directly through a pre-tax rollover.

Retirement service credit is added to the member's account only after the total amount due has been paid. Purchased retirement service credit counts only toward determining the amount of retirement benefits. It does not affect other employer benefits such as seniority or vacation and sick leave accrual rates.

RETIREMENT BENEFITS

TCERA offers a regular service retirement benefit to members who meet the age and length of service requirements (see RETIREMENT ELIGIBILITY section of the Plan Summary for details regarding eligibility). This is a lifetime monthly retirement allowance calculated based on the member's membership type and tier, years of TCERA retirement service credit, age at retirement, and Final Average Monthly Salary.

- Membership Type and Tier – Separate benefit formulas are in place for General and Safety members in each of TCERA's Tiers 1-4.

- Years of Retirement Service Credit – as calculated by TCERA based on TCERA service earned (which excludes any breaks in service such as unpaid leaves of absence).

- Age at Retirement – Each TCERA benefit formula includes specific factors for the member's age at retirement. The age factor used to calculate retirement benefits increases by each quarter year up to the legal caps associated with each membership type and tier. Members are encouraged to pay attention to "quarter age birthdays" when selecting a retirement date, as the passing of each factor cutoff period will affect the calculation of the benefit.

- Final Average Monthly Salary (FAMS) – The FAMS is calculated by TCERA using a consecutive 12 month period for Tier 1 members and a consecutive 36 month period for Tiers 2-4. TCERA will use the most recent salary periods unless the member identifies a different period which results in a higher average. The salary amount used is the retirement eligible compensation as reported by the employer. In many cases this will not be the same as the gross salary earned by the member as certain employer payments to the member are not eligible for retirement purposes.

Compensation and Benefit Limitations

- Monthly pension benefits are capped at 100% of FAMS.
- Pensionable Compensation used to calculate FAMS for most members is subject to compensation limits imposed by Internal Revenue Service regulations (Section 401(a) 17).
- Most members are subject to benefit limits imposed by Internal Revenue Service regulations (Section 415).
- Pensionable Compensation used to calculate FAMS for Tier 4 members is capped at 100% of the Social Security contribution and benefit base in place January 1, 2013, adjusted annually for changes in CPI (Consumer Price Index for All Urban Consumers).

Members should contact the Retirement Office for more detailed information regarding compensation and benefit limitations.

Retirement benefits are paid monthly and are dated the last day of each month. The first retirement benefit will be paid no later than 60 days after the effective date of retirement if all required information and documentation has been received by the Retirement Office.

RETIREMENT ELIGIBILITY

Retirement Eligibility – Tiers 1-3

<u>Tier 1, 2, and 3 GENERAL MEMBERS</u> – General members must be at least 50 years of age and have earned at least ten years of retirement service credit in order to be eligible to retire. General members with 30 or more years of retirement service credit may retire regardless of age. General members who reach age 70 may retire regardless of the amount of service credit earned.

<u>Tier 1, 2, and 3 SAFETY MEMBERS</u> – Safety members must be at least 50 years of age and have earned at least ten years of retirement service credit in order to be eligible to retire. Safety members with 20 or more years of retirement service credit may retire regardless of age. Safety members who reach age 70 may retire regardless of the amount of service credit earned.

Retirement Eligibility – Tier 4

<u>Tier 4 GENERAL MEMBERS</u> – General members must be at least age 52 and have earned at least 5 years of retirement service credit in order to be eligible to retire. There are no age or service exceptions for Tier 4 members.

<u>Tier 4 SAFETY MEMBERS</u> – Safety members must be at least age 50 and have earned at least 5 years of retirement service credit in order to be eligible to retire. There are no age or service exceptions for Tier 4 members.

Please note that the Retirement Application must be signed and submitted no earlier than 90 days before the date of retirement. In addition, the application must be signed and submitted on or before the date of retirement. An application date cannot be backdated for purposes of submitting a valid aplication.

RETIREMENT OPTIONS

Members have the ability to select from several benefit options when electing to retire. These options provide different ways to provide benefits to the member and the member's beneficiary. The option that is best suited for the member will depend on the member's particular circumstances.

Option elections are irrevocable once benefit payments commence.

Unmodified – This option provides the maximum monthly allowance for the member's lifetime and will pay a 60% continuance to a qualified surviving spouse following the member's death. A qualified surviving spouse is a person who was married to the TCERA member for at least one year prior to the retirement date and who remained married to the member until the date of death. It should be noted that spousal beneficiary rights may supersede the rights of a named beneficiary as determined by applicable retirement law.

If there is no spouse eligible for a continuance at the time of the member's death, minor children may be eligible for a continuance benefit. If it is determined that there is no continuance beneficiary, the named beneficiary as listed on TCERA's Designation of Beneficiary form will receive a lump sum payment of accumulated contributions less the sum of the actual monthly retirement allowance payments received by the member.

Option 1 – This option provides for a slightly reduced monthly retirement allowance, payable throughout the member's life, with the provision that accumulated contributions less the sum of the annuity portion of the payments received by the member will be paid upon death to the beneficiary.

If the beneficiary named dies before the member, a new beneficiary may be designated.

Option 2 – This option provides for a reduced monthly retirement allowance to the member for life with 100% of the allowance continued after death of the member.

If the beneficiary named dies before the member, a new beneficiary may NOT be designated and the allowance under this option will be paid only through the member's life.

Option 3 – This option provides for a reduced monthly retirement allowance paid to the member for life with 50% of the allowance continued after death to the beneficiary.

If the beneficiary named dies before the member, a new beneficiary may NOT be designated and the allowance under this option will be continued only through the member's life.

Option 4 – This option allows the member to name multiple beneficiaries and provides for a reduced monthly retirement allowance paid to the member for the member's lifetime with an actuarially calculated benefit continued throughout the life of the beneficiaries named at retirement. The benefits paid under this option must be calculated by TCERA's actuary and approved by the Board of Retirement prior to the start of the member's retirement allowance.

No recalculation of the benefit or the benefits payable to beneficiaries will take place if any beneficiaries should die before the member. No new beneficiaries may be named following retirement and should the beneficiaries die before the member, the allowance under this option will be continued only through the member's life.

Note: Benefits are different if you pass away during active employment. If you are seriously ill, the retirement office should be contacted to review all options.

Temporary Annuity Benefit – Tiers 1, 2 and 3 – This option is available to certain members who retire prior to becoming eligible for Social Security benefits at age 62, if approved by the Board of Retirement. If approved, it allows the member to elect to increase any of the above options until the member becomes eligible for Social Security benefits, at which time the monthly amount from TCERA is reduced for life. This option is not available to Tier 4 members or for disability retirements.

The member must submit a request to the Board of Retirement prior to the date of retirement explaining the reason for requesting this option. The option will not take effect until approved by the Board of Retirement. The member should consider the following:

1. The Social Security benefit available at age 62 is a reduced benefit. Full Social Security benefits are not available at age 62.
2. The TCERA benefit reduction applied at age 62 will remain in place for the remainder of the member's life.
3. There is no guarantee that the Social Security benefit estimate used for benefit calculation purposes will actually be available to the member at age 62.
4. The member is responsible for providing the Social Security information needed to calculate the benefit.
5. The member is responsible for applying for Social Security when eligible.
6. Social Security makes the determination regarding the starting date for payment of benefits. Such date may not coincide with the reduction in TCERA benefits and may result in a gap between the reduction in TCERA benefits and the commencement of Social Security benefits.

TCERA is not responsible for any information regarding benefits from the Social Security Administration. TCERA is not responsible for applying for Social Security benefits on behalf of the member.

Members are encouraged to carefully consider all implications of electing the temporary annuity benefit including the accuracy of the estimated Social Security benefit used to calculate the benefit, the reduced benefit for life after age 62, and how cost-of-living (COLA) benefits are applied.

RETIREMENT BENEFIT ESTIMATES

Members have several options for obtaining estimates of future retirement benefits. Members can enroll in MyTCERA, the member web portal accessible from TCERA's website. Once enrolled, members can use MyTCERA to enter information in a benefit calculator that will provide the member with a basic estimate of future benefits. This option is appropriate for members who are not nearing retirement but are interested in estimates for retirement planning. For members nearing retirement age, TCERA recommends requesting retirement estimates from the Retirement Office. Benefit Estimate Request forms are available on TCERA's website and from the Retirement Office.

Sample calculations for the unmodified retirement benefit are provided on the following pages:

SAMPLE RETIREMENT CALCULATION – Tiers 1-3

The Tulare County Employees Retirement Association (TCERA) is what's known as a "Defined Benefit" retirement plan. Under such plans a member's monthly retirement allowance is calculated using a formula which is "defined" in advance by the retirement plan. Under TCERA, the following factors make up the four components of the formula:

- **Membership Type** – TCERA has two types of members, General and Safety. The factor used for General member service earned prior to July 1, 2005 is 1 2/3% (or .016667). The factor used for General member service earned after June 30, 2005 and all Safety member service is 2% (or .02).
- **Years of Service** – The number of years of TCERA membership, minus breaks in service or leaves without pay. General member service earned on or after July 1, 2005 gets a higher benefit formula than service earned prior to July 1, 2005. If you have split service you will need to perform two calculations to determine your benefit.
- **Age at Retirement** – The age factor used to calculate retirement increases by each quarter year, up to age 65 for General members and age 55 for Safety members. The tables containing the age factors are located on the following page.
- **Final Average Monthly Salary** – Your F.A.M.S. is calculated using a consecutive 12-month period for Tier 1 members and a 36-month period for Tier 2 & 3 members. Please note that the Retirement Office will use the last 12 or 36 month periods unless the member identifies a different period which results in a higher average. Monthly pension benefits are capped at 100% of F.A.M.S.

Numeric values are assigned to each of the four components listed above depending upon the individual's experience as a plan member. An adjustment is made to the final average salary factor to account for Tulare County's participation in Social Security. This adjustment reduces the F.A.M.S. by $116.67. Finally, the four numeric values are multiplied together to reach the member's monthly retirement allowance.

Example: Jane Doe is a Tier 3, General member who has 25 years of service. 20 years of service was earned prior to July 1, 2005. The remaining 5 years was earned after June 30, 2005. She plans to retire at age 55 and her final average monthly salary, adjusted for participation in Social Security, is $2,500 per month. Ms. Doe's monthly retirement allowance would be calculated as follows:

Retirement Allowance earned prior to July 1, 2005:

.016667 (membership) x 20 (years) x .8954(age) x $2,500 (F.A.M.S.) = $746.18

Retirement Allowance earned after June 30, 2005:

.02 (membership) x 5 (years) x .8850 (age) x $2,500 (F.A.M.S.) = $221.25

$746.18 + $221.25 = $967.43 (Jane Doe's total basic retirement allowance)

Safety T1-3 Age-Factor		General T1 Age-Factor Service before 7/1/05		General T2-3 Age-Factor Service before 7/1/05		General T1-3 Age-Factor Service after 6/30/05	
41	0.6258	50	0.7454	50	0.7091	50	0.6681
41 ¼	0.635	50 ¼	0.7561	50 ¼	0.7183	50 ¼	0.6775
41 ½	0.6442	50 ½	0.7668	50 ½	0.7274	50 ½	0.6869
41 ¾	0.6533	50 ¾	0.7775	50 ¾	0.7366	50 ¾	0.6962
42	0.6625	51	0.7882	51	0.7457	51	0.7056
42 ¼	0.672	51 ¼	0.7998	51 ¼	0.7547	51 ¼	0.7156
42 ½	0.6814	51 ½	0.8114	51 ½	0.7637	51 ½	0.7255
42 ¾	0.6909	51 ¾	0.823	51 ¾	0.7726	51 ¾	0.7355
43	0.7004	52	0.8346	52	0.7816	52	0.7454
43 ¼	0.7102	52 ¼	0.8472	52 ¼	0.7907	52 ¼	0.7561
43 ½	0.72	52 ½	0.8598	52 ½	0.7999	52 ½	0.7668
43 ¾	0.7299	52 ¾	0.8724	52 ¾	0.809	52 ¾	0.7775
44	0.7397	53	0.885	53	0.8181	53	0.7882
44 ¼	0.7499	53 ¼	0.8987	53 ¼	0.8275	53 ¼	0.7998
44 ½	0.7601	53 ½	0.9125	53 ½	0.8369	53 ½	0.8114
44 ¾	0.7703	53 ¾	0.9262	53 ¾	0.8462	53 ¾	0.823
45	0.7805	54	0.9399	54	0.8556	54	0.8346
45 ¼	0.791	54 ¼	0.9549	54 ¼	0.8656	54 ¼	0.8472
45 ½	0.8016	54 ½	0.9699	54 ½	0.8755	54 ½	0.8598
45 ¾	0.8121	54 ¾	0.9849	54 ¾	0.8855	54 ¾	0.8724
46	0.8226	55	1	55	0.8954	55	0.885
46 ¼	0.8339	55 ¼	1.0111	55 ¼	0.9061	55 ¼	0.8987
46 ½	0.8452	55 ½	1.0223	55 ½	0.9168	55 ½	0.9125
46 ¾	0.8566	55 ¾	1.0335	55 ¾	0.9275	55 ¾	0.9262
47	0.8678	56	1.0447	56	0.9382	56	0.9399
47 ¼	0.878	56 ¼	1.0597	56 ¼	0.9498	56 ¼	0.9549
47 ½	0.8882	56 ½	1.0747	56 ½	0.9614	56 ½	0.9699
47 ¾	0.8983	56 ¾	1.0898	56 ¾	0.973	56 ¾	0.9849
48	0.9085	57	1.1048	57	0.9846	57	1
48 ¼	0.9194	57 ¼	1.1207	57 ¼	0.9972	57 ¼	1.0111
48 ½	0.9304	57 ½	1.1367	57 ½	1.0098	57 ½	1.0223
48 ¾	0.9413	57 ¾	1.1526	57 ¾	1.0224	57 ¾	1.0335
49	0.9522	58	1.1686	58	1.035	58	1.0447
49 ¼	0.9641	58 ¼	1.1855	58 ¼	1.0487	58 ¼	1.0597
49 ½	0.9761	58 ½	1.2025	58 ½	1.0625	58 ½	1.0747
49 ¾	0.988	58 ¾	1.2195	58 ¾	1.0762	58 ¾	1.0898
50	1	59	1.2365	59	1.0899	59	1.1048
50 ¼	1.013	59 ¼	1.2547	59 ¼	1.1049	59 ¼	1.1207
50 ½	1.0259	59 ½	1.2729	59 ½	1.1199	59 ½	1.1367
50 ¾	1.0387	59 ¾	1.2911	59 ¾	1.1349	59 ¾	1.1526
51	1.0516	60	1.3093	60	1.15	60	1.1686
51 ¼	1.0656	60 ¼	1.3221	60 ¼	1.1611	60 ¼	1.1855
51 ½	1.0796	60 ½	1.335	60 ½	1.1723	60 ½	1.2025
51 ¾	1.0937	60 ¾	1.3479	60 ¾	1.1835	60 ¾	1.2195
52	1.1078	61	1.3608	61	1.1947	61	1.2365
52 ¼	1.1231	61 ¼	1.3736	61 ¼	1.2097	61 ¼	1.2547
52 ½	1.1384	61 ½	1.3865	61 ½	1.2247	61 ½	1.2729
52 ¾	1.1538	61 ¾	1.3994	61 ¾	1.2398	61 ¾	1.2911
53	1.1692	62	1.4123	62	1.2548	62 & Above	1.3093
53 ¼	1.1859	62 ¼	1.4251	62 ¼	1.2707		
53 ½	1.2028	62 ½	1.438	62 ½	1.2867		
53 ¾	1.2195	62 ¾	1.4509	62 ¾	1.3026		
54	1.2366	63	1.4638	63	1.3186		
54 ¼	1.2547	63 ¼	1.4766	63 ¼	1.3355		
54 ½	1.273	63 ½	1.4895	63 ½	1.3525		
54 ¾	1.2915	63 ¾	1.5024	63 ¾	1.3695		
55 & Above	1.3099	64	1.5153	64	1.3865		
		64 ¼	1.5281	64 ¼	1.4047		
		64 ½	1.541	64 ½	1.4229		
		64 ¾	1.5539	64 ¾	1.4411		
		65 & Above	1.5668	65 & Above	1.4593		

SAMPLE RETIREMENT CALCULATION – Tier 4

The Tulare County Employees Retirement Association (TCERA) is what's known as a "Defined Benefit" retirement plan. Under such plans a member's monthly retirement allowance is calculated using a formula which is "defined" in advance by the retirement plan. Under TCERA, the following factors make up the four components of the formula:

- **Membership Type** – TCERA has two types of members, General and Safety. The Tier 4 membership factor for both General and Safety is .01.
- **Years of Service** – The number of years of TCERA membership, minus breaks in service or leaves without pay.
- **Age at Retirement** – The age factor used to calculate retirement increases by each quarter year, up to age 67 for General members and age 57 for Safety members. The tables containing the age factors are located on the following page.
- **Final Average Monthly Salary** – Your F.A.M.S. is calculated using a consecutive 36-month period for Tier 4 members. Please note that the Retirement Office will use the last 36 month period unless the member identifies a different period which results in a higher average. Pensionable compensation used for determining Tier 4 pension benefits is capped at 100% of the Social Security contribution and benefit base in place for the earnings year. Monthly pension benefits are also capped at 100% of F.A.M.S.

Numeric values are assigned to each of the four components listed above depending upon the individual's experience as a plan member. Unlike Tiers 1-3, there is no F.A.M.S. adjustment for Social Security participation for Tier 4. Finally, the four numeric values are multiplied together to reach the member's monthly retirement allowance.

Example: Jane Doe is a General member who has 25 years of service. She plans to retire at age 55 and her final average monthly salary is $2,500 per month. Ms. Doe's monthly retirement allowance would be calculated as follows:

.01 (membership) x 25 (years) x 1.3 (age factor) x $2,500 (F.A.M.S.) = $ 812.50

Safety T4 Age-Factor	
50	2
50 ¼	2.025
50 ½	2.05
50 ¾	2.075
51	2.1
51 ¼	2.125
51 ½	2.15
51 ¾	2.175
52	2.2
52 ¼	2.225
52 ½	2.25
52 ¾	2.275
53	2.3
53 ¼	2.325
53 ½	2.35
53 ¾	2.375
54	2.4
54 ¼	2.425
54 ½	2.45
54 ¾	2.475
55	2.5
55 ¼	2.525
55 ½	2.55
55 ¾	2.575
56	2.6
56 ¼	2.625
56 ½	2.65
56 ¾	2.675
57 and over	2.7

General T4 Age-Factor	
52	1
52 ¼	1.025
52 ½	1.05
52 ¾	1.075
53	1.1
53 ¼	1.125
53 ½	1.15
53 ¾	1.175
54	1.2
54 ¼	1.225
54 ½	1.25
54 ¾	1.275
55	1.3
55 ¼	1.325
55 ½	1.35
55 ¾	1.375
56	1.4
56 ¼	1.425
56 ½	1.45
56 ¾	1.475
57	1.5
57 ¼	1.525
57 ½	1.55
57 ¾	1.575
58	1.6
58 ¼	1.625
58 ½	1.65
58 ¾	1.675
59	1.7
59 ¼	1.725
59 ½	1.75
59 ¾	1.775
60	1.8
60 ¼	1.825
60 ½	1.85
60 ¾	1.875
61	1.9
61 ¼	1.925
61 ½	1.95
61 ¾	1.975
62	2
62 ¼	2.025
62 ½	2.05
62 ¾	2.075
63	2.1
63 ¼	2.125
63 ½	2.15
63 ¾	2.175
64	2.2
64 ¼	2.225
64 ½	2.25
64 ¾	2.275
65	2.3
65 ¼	2.325
65 ½	2.35
65 ¾	2.375
66	2.4
66 ¼	2.425
66 ½	2.45
66 ¾	2.475
67 & over	2.5

DISABILITY RETIREMENT BENEFITS

Members who become disabled while a member of TCERA may be eligible for a disability retirement benefit. Unlike regular retirement benefits, disability benefits are not automatically granted. TCERA disability benefits are subject to a determination by the Board of Retirement that the member is permanently incapacitated from the employee's current job with the employer.

The information regarding disability benefits contained in the Plan Summary is limited to a brief overview. Complete details regarding TCERA disability benefits and the application process are found in the Tulare County Employees' Retirement Association Disability Application Process and Hearing Procedures. This document is available from the Retirement Office. Members interested in applying for a disability retirement are encouraged to make an appointment with the Retirement Office for more information.

Note: Benefits are different if you pass away during active employment. If you are seriously ill, the retirement office should be contacted to review all options.

TCERA offers two types of disability retirement benefits:

Non-Service Connected Disability

Board of Retirement approved disability retirements that are not due to a job-related illness or injury are considered Non-Service Connected Disabilities. A member must have earned five or more years of retirement service credit in order to be eligible for a non-service connected disability. The non-service connected disability benefit ranges from 20% to 40% of final average monthly salary depending on the member's years of retirement service credit:

- Five years but less than six years 20%
- Six years but less than seven years 22%
- Seven years but less than eight years 24%
- Eight years but less than nine years 26%
- Nine years but less than ten years 28%
- Ten years but less than eleven years 30%
- Eleven years but less than twelve years 32%
- Twelve years but less than thirteen years 34%
- Thirteen years but less than fourteen years 36%
- Fourteen years but less than fifteen years 38%
- Fifteen or more years 40%

Service Connected Disability

Board of Retirement approved disability retirements that the Board of Retirement has determined are due to a job-related illness or injury are considered Service Connected Disabilities. There are no minimum service requirements for a Service Connected Disability. The Service Connected Disability benefit is 50% of final average salary.

COST OF LIVING BENEFITS

TCERA Members and continuance beneficiaries are eligible for cost of living adjustments (COLA) to regular and disability retirement benefits. Tier 1 members are eligible to receive up to a maximum of 3% COLA per year while Tiers 2-4 are eligible to receive up to a maximum of 2% COLA per year. Actual COLA amounts are calculated based on changes in the Consumer Price Index (which may be a positive or negative amount) as of December 31st of the previous year and are rounded to the nearest ½ of a percent. Applicable COLA becomes effective April 1st of each year and is first paid in the pension disbursement dated April 30th. COLA is applied only to the basic benefit plus the current COLA amount. Any supplemental benefits that may be payable to a member or beneficiary are not eligible for COLA.

In years when the Consumer Price Index rises more than the maximum percentage for the cost of living increase allowed for each tier, the difference is carried over (banked). In subsequent years, if the Consumer Price Index increase rises less than the maximum percentage for the maximum annual cost of living adjustment for each tier, any carryover banked for a member will be used to increase the adjustment up to the maximum allowed for each tier.

SUPPLEMENTAL RETIREMENT BENEFITS

Supplemental benefits for Tiers 1-3 are additional monthly benefits provided to retired members and beneficiaries who meet certain eligibility requirements. Tier 4 members are not eligible for Supplemental Retirement Benefits. The Board of Retirement determines the eligibility requirements and amounts paid for supplemental benefits. Supplemental Retirement Benefits are not included when calculating the regular annual cost of living adjustment. **Supplemental Retirement Benefits are not vested or guaranteed benefits. They may be reduced, increased, or terminated at any time by the Board of Retirement.**

Supplemental Retirement Benefits are paid from a special reserve account established by the Retirement Board called the Supplemental Retiree Benefit Reserve (SRBR). This reserve is funded by the excess earnings on investments of the Plan's assets pro-rated for Tiers 1-3. Amounts paid from the SRBR have no impact on the contribution rates paid by active members.

The Supplemental Retirement Benefits for Tiers 1-3 are structured as follows:

Supplemental Cash Benefit

The Supplemental Cash Benefit is paid to retired members who have ten or more years of TCERA service. The amount is paid based on a sliding scale associated with the total years of TCERA service earned up to a maximum of 20 years. Beneficiaries of retired members receiving a death continuance of benefits receive 50% of what the retiree would be eligible to receive under the Supplemental Cash Benefit. A schedule of the Supplemental Cash Benefit amounts currently in place is available from the Retirement Office upon request.

Supplemental COLA Benefit (benefit frozen effective January 1, 2025)

The Supplemental COLA Benefit, also known as Purchasing Power Protection, is an additional Cost of Living Adjustment (COLA) that is paid to retired members and their beneficiaries who have seen the purchasing power of their pensions decrease below a certain percentage of the original pension amount due to the compounding effect of annual changes in the Consumer Price Index in excess of the maximum COLA allowable under the Plan. This benefit is frozen effective January 1, 2025. This action was taken by the Board of Retirement to help ensure the future viability of the SRBR. Members receiving a payment under this program as of January 1, 2025 continue to receive the amount in place as of that date. No additional benefits will be paid to new or existing payees unless the Board of Retirement takes action to reinstate the program. Details regarding the Supplemental COLA Benefit are available from the Retirement Office.

DEATH BENEFITS

Depending on the member's status with TCERA at the time of death, a number of death benefits may be available to beneficiaries. Because of the complexity of some of these benefits, TCERA staff will review the following benefits and options in detail with beneficiaries upon notification of a member's death.

Active Member Death Benefits

Death of an Active Member (non-service connected) – Less than 5 Years of Retirement Service Credit –
The beneficiary receives the following:

- A one-time lump sum Basic Death Benefit consisting of a return of the contributions and interest which have accumulated in the member's retirement account.
- A one-time lump sum payment of one month's salary for each completed year of service, up to a maximum of six month's salary. A minimum of one year of completed service is required for this benefit.

Death of an Active Member (non-service connected) with 5 or more years of Retirement Service Credit –
The beneficiary receives the following:

- A one-time lump sum Basic Death Benefit consisting of a return of the contributions and interest which have accumulated in the member's retirement account and a one-time lump sum payment of one month's salary for each completed year of service, up to a maximum of six month's salary. (This is the only option available for a member with no eligible spouse or minor children.) OR
- For an eligible spouse or minor children, a monthly benefit equal to 60% of the retirement benefit to which the member would have been entitled if retired for a non-service connected disability. OR
- For an eligible spouse or minor children, a combination of a reduced lump sum payment and a reduced monthly benefit.

Death of an Active Member (service-connected) –
The beneficiary receives the following:

- A one-time lump sum Basic Death Benefit consisting of a return of the contributions and interest which have accumulated in the member's retirement account and a one-time lump sum payment of one month's salary for each completed year of service, up to a maximum of six month's salary. (This is the only option available for a member with no eligible spouse or minor children.) OR
- For an eligible spouse or minor children, a monthly benefit equal to at least 50% of the member's final average salary.

- For an eligible spouse or minor children, a combination of a reduced lump sum payment and a reduced monthly benefit.

- Additional benefits may be applicable for the service connected death of a Safety Member. These benefits will be reviewed with the beneficiaries at the time of death, if applicable.

Important note regarding qualified beneficiaries: Unmarried minor children are paid until reaching age 18 unless enrolled full time in an accredited school at the time of death, in which case they are paid while remaining unmarried and enrolled up to age 22. If a member has at least five years of retirement service credit at the time of death, an eligible spouse will have the right to select and receive any death benefits payable regardless of whether he or she was named as a beneficiary.

Deferred Member Death Benefits

In the event of the death of a member in deferred status (vested, non-vested, or reciprocal), the beneficiary receives a one-time lump sum Basic Death Benefit consisting of a return of the contributions and interest which have accumulated in the member's retirement account.

Retired Member Death Benefits

Benefits paid to the beneficiary of a retired member depend on the Option elected by the retiree at the time of retirement (refer to the RETIREMENT OPTIONS section of the Plan Summary). In some cases a lifetime monthly continuance is payable to an eligible beneficiary. The benefit percentage received by the eligible beneficiary depends on the Benefit Option elected by the plan member at the time of retirement (service retirement or disability retirement) as approved by the Board. In other cases, the beneficiary receives a lump sum payout of funds remaining in the retired member's account, if any, at the time of death.

In addition, a one-time lump sum burial benefit of $5,000 is payable to the beneficiary of a retired member, provided the member retired from a TCERA employer rather than a reciprocal system. This benefit is paid only upon the death of the retired member; it is not paid upon the death of a beneficiary.

TAXABILITY OF BENEFITS

Taxability of pension benefits is based on the type of retirement and the tax classification of contributions made by the member. In general, retirement benefits are taxable when distributed. A portion of a member's benefit may be non-taxable if employee contributions were made on a post-tax basis. In addition, benefits for a service connected disability retirement are non-taxable up to 50% of Final Average Salary.

TCERA reports taxable and non-taxable disbursements annually on Internal Revenue Service form 1099R for each recipient of retirement funds (refund disbursements, death benefits, and pension payments). The 1099R provides the information necessary for the members and beneficiaries to report this information on federal and state tax returns. Questions regarding TCERA 1099R reporting should be directed to the Retirement Office. Tax advice, however, is not available from TCERA. Members should consult the Internal Revenue Service or a qualified tax advisor for questions and advice regarding taxes and tax planning.

RETIREMENT PLANNING

Retirement planning is essential in order for members to achieve their goals in retirement. TCERA provides information and education to its members regarding TCERA retirement benefits in a number of ways:

- New Employee Orientation – Employers invite TCERA staff to participate in New Employee Orientation programs to provide an overview of TCERA benefits. In addition to the presentation, staff provides members with a copy of this Plan Summary. Members are encouraged to read it thoroughly.

- Newsletters – TCERA periodically distributes newsletters to members that provide updated information regarding benefits and other important information regarding the Plan for both active and retired members.

- Seminars – Seminars tailored for the various TCERA membership tiers are available for all stages of a member's active employment – from early career to nearing retirement:

  TCERA 101 provides a more in depth review of the retirement plan than can be given in the brief presentation in New Employee Orientation. It is a great seminar for members any time in their career.
  Pre-Retirement Seminars provide additional detail for members preparing for retirement. TCERA also invites speakers from outside TCERA such as Social Security and Employer Benefits.

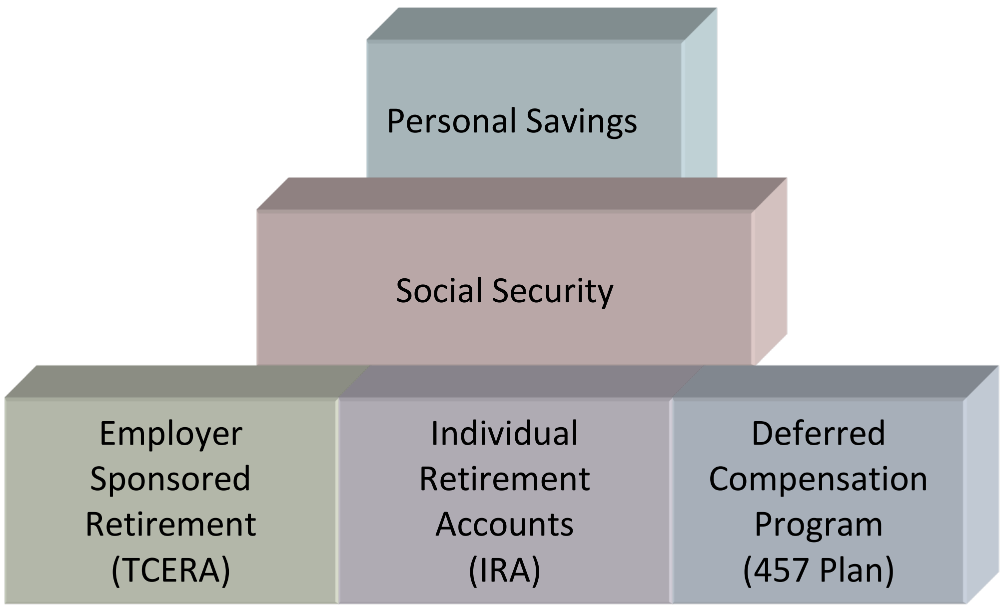
- TCERA Website – TCERA's website at www.tcera.org is kept up to date with the latest information regarding TCERA's retirement plan.

Members are encouraged to take advantage of all of these educational opportunities to help plan for their Retirement.

TCERA's defined benefit retirement plan is just one part of a member's retirement plan, however. Members are encouraged to seek out and obtain information from multiple sources including the Social Security Administration, the American Association of Retired Persons, and other retirement friendly organizations to assist with retirement planning. Members are also encouraged to consider participating in the Tulare County Defined Contribution (457) program as an additional source of future retirement income. Friends and family members who are already retired may provide valuable advice based on their experience from their retirement years. Members may find it beneficial to consult with a financial planner, as TCERA staff members are not qualified to provide retirement advice outside of information regarding TCERA benefits.

Public employees with defined benefit plans like TCERA's that provide a lifetime benefit to eligible retirees are fortunate to have some pension income that they will able to rely upon in their retirement years. Members should not assume, however, that the pension income from TCERA will cover all living costs in retirement. TCERA's pension benefit will provide only part of the estimated 70-80% of a member's pre-retirement income required to live comfortably after retirement. The possibility of unforeseen medical issues and longer life spans makes it even more important for members to plan carefully for retirement.

Responsibility for financial security during retirement rests with the member; it is important for members to understand all of the factors that affect future retirement. As displayed below, an employer sponsored retirement plan (TCERA), Individual Retirement Account (IRA), Deferred Compensation program (457 Plan), Social Security, and personal savings are all factors that come into play in retirement. These and other economic factors are the building blocks that will determine whether members will achieve their retirement goals.



Steps to begin retirement planning include:

<u>TCERA Benefit Estimates</u> – periodically calculate future TCERA benefits using the benefit calculator available on TCERA's website. Members can also obtain benefit estimates from the Retirement Office upon request. Projecting benefits at various ages gives members an opportunity to approximate their pension income at different possible retirement dates.

<u>Social Security Benefit Estimates</u> – periodically review statements from the Social Security Administration available from their website.

<u>Set Retirement Goals</u> – Determine the lifestyle expected in retirement and calculate what income will be needed in retirement to achieve that lifestyle. Members may wish to consult with others with retirement experience such as family, trusted friends, or a professional investment advisor.

<u>Savings</u> – Start saving now! Whether it's adding to personal savings or setting up retirement specific accounts such an IRA or 457 Plan, the sooner the better.

ADDITIONAL INFORMATION

This Plan Summary was prepared in an effort to provide TCERA's members and interest parties with general information about TCERA and the retirement benefits available to members. Questions regarding information contained in the Plan Summary should be directed to the Retirement Office.

TCERA has made every effort to present the information in this Plan Summary in a clear and concise manner with every degree of accuracy. Any discrepancies between applicable law and the information in this booklet will be resolved in accordance with the law.

The Tulare County Employees' Retirement Association is governed by the County Employees Retirement Law of 1937 ('37 Act), a Division of the California Government Code (§ 31450-31899.10) and case law applicable to public employee pension plans.

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