



Tulare County Employees' Retirement Association

# Pension Progress

Phone: (559) 713-2900

[www.tcera.org](http://www.tcera.org)

Keeping Members Informed

June, 2020

## *A Word from your Retirement Administrator...*

### **Sequoia Strength**

You may have noticed TCERA's new logo, shown above for the first time in one of our newsletters. Seeking to update TCERA's image, we were careful to preserve and honor the focal point of our previous logo, the giant Sequoia.

The Sequoia is a perfect symbol for TCERA. The Sequoia is strong and resilient in the face of many challenges – fire, dramatic weather conditions, drought, and pollution. It is not immune and it comes through with visible scars, but survives nonetheless. The Sequoia can survive on its own, but it does not thrive unless it is growing near other Sequoias. Its shallow roots intertwine with the roots of its neighbors to create a strong foundation for the entire grove. The trees rely on each other to stand strong.

TCERA is like the Sequoia – strong and resilient in the face of many challenges. We thrive because of our relationship with others:



- Trustees from varied backgrounds and experience working together for the good of the Plan.
- Staff members developing teamwork to ensure essential services are delivered to members.
- Plan sponsors – Tulare County, Tulare County Superior Courts and the Strathmore Public Utilities District – developing a critical partnership with TCERA through communication and cooperation.
- Members of the plan and the public supporting the idea of a dignified retirement for all.

These are challenging times but we will see them through together!

Leanne Malison  
Retirement Administrator

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## **TCERA Board Meetings**

TCERA Board meetings remain open to the public. Social distancing is required and cloth face coverings are recommended. You can also send public comments to [BORPublicComment@tcera.org](mailto:BORPublicComment@tcera.org) any time before the meeting.

## Coronavirus – TCERA Update

The Covid-19 coronavirus pandemic continues to afflict communities in our county, our state, our nation, and our world. TCERA is focusing on the safety of its members, staff, and members of the public while limiting adverse impact on office processes.

TCERA's lobby remains closed at this time. While other County offices have opened recently, TCERA is aware that many of those who come to our office are in the highest risk groups. In an abundance of caution, we are taking a very measured approach to reopening. Nearly all contact with members at this time is maintained through mail and electronic means. Appointments are accepted to pick up, deliver, or sign important documents. Appointments also may be scheduled for other critical services as necessary. Masks are required. TCERA hopes to ease the lobby restrictions in the near future as risk factors are reduced.

TCERA trustees are carefully monitoring the effect of the pandemic on Plan investments. The volatility of the market will certainly impact investment returns. The official measurement period for investment results used in the Plan's annual valuation is its fiscal year ending June 30, 2020. Audited results from that time period will be an important part of the annual review of assumptions that determine TCERA's contribution rates. Keep your eyes open for more information in the coming months.

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## Stay Safe – Stay Well

### Here's what you can do to help protect yourself and others:

- **Wash your hands often** – It turns out your mother was right. Scrub with soap and water for at least 20 seconds, especially after being in a public place or after sneezing, coughing, or blowing your nose. If soap and water are not available, hand sanitizer is a good substitute.
- **Avoid touching your eyes, nose, and mouth** – All viruses are sneaky and love to get access by slipping into the accessible areas of your face. I know, just reading this makes your nose itch, doesn't it?
- **Avoid close contact** – Keep your distance from others, 6 feet is a good rule, especially if you suspect that someone is ill or you are at a higher risk of getting sick.
- **Cover your mouth and nose** – Your mom was right here too. Use a handkerchief, tissue or the inside of your elbow to minimize the spread of germs.
- **Wear cloth face covers in public places** – Even if looking like a bandit from an old western isn't your idea of a good time, it can really help reduce the risk of you sharing your germs. It's an easy way to show respect and care for others.
- **Clean and disinfect regularly** – Just like mom says, clean your room (and everywhere else)!



# Knowing Your Retirement Payment Options

TCERA members are sometimes surprised to learn that there are a number of benefit options available when applying for a TCERA retirement. Any option other than the Unmodified Option reduces the basic retirement allowance. That reduction is calculated to fund the death benefit payable under each option over the expected life of the member. The option selected is irrevocable and cannot be changed after retirement. Here's a brief review of the retirement benefit options available:

**Unmodified Option** – (It is called the “Unmodified Option” because it is the one originally established under the law that governs the retirement plan.) This option provides the maximum monthly allowance payable to you for your lifetime and pays a 60% continuance to a qualified surviving spouse (or registered domestic partner) following the member's death. If there is no beneficiary eligible for a continuance, the named beneficiary will receive a lump sum payment of accumulated contributions less the sum of the actual monthly retirement allowance payments that have been paid to the member in retirement. Under specific circumstances, you may be able to name a post-retirement spouse (or registered domestic partner) who can then qualify for a pension continuance following your death. The post-retirement spouse option is not available to Tier 4 members. (Contact TCERA for details.)

**Option 1** - This benefit payment modification provides for a slightly reduced monthly retirement allowance, payable throughout the life of the member with the provision that the accumulated contributions, less the sum of the annuity portion of the payments received, will be paid upon death to the named beneficiary. This is the only option that allows the retired member to change the designated beneficiary after retirement.

**Option 2** - This option provides for a reduced monthly retirement allowance for the member's lifetime with 100% of the retirement benefit continued after death to a qualified beneficiary. If the named beneficiary 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 lifetime. (Note: that the IRS Code restricts the amount that can be paid to your survivor depending on the age difference between you and your beneficiary.)

**Option 3** - This option provides for a reduced monthly retirement allowance paid for the member's lifetime with 50% of the retirement benefit continued after death to a qualified beneficiary. If the named beneficiary 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 lifetime.

**Option 4** - This option allows the member to name more than one beneficiary; each will receive a lifetime continuance following the member's death. Electing this option requires that an actuarial study be completed to determine the amount of the benefit reduction. There is also a requirement that the Retirement Board approves the calculation and the election of Option 4 in advance of your retirement date. If one or more of the beneficiaries dies before the member, a replacement beneficiary may NOT be designated and the continuance will be paid to the remaining beneficiaries after the death of the member.

**ACTIVE DEATH BENEFITS** – Please note that benefits paid if a member dies before retirement are significantly different than those outlined in the Retirement Options listed above. **If a member is seriously ill, it is important to contact the Retirement Office for detailed information regarding service retirement, disability retirement, and active death benefits.**

The benefit payment option elected may have significant tax implications. Members are encouraged to speak with a qualified tax advisor prior to finalizing a retirement decision. Please contact TCERA at 559-713-2900 with any questions regarding benefit options.

## **New Contribution Rates Effective July 1st (Pay Period 14)**

It's that time of year again. Active employees may see a change to their retirement contribution rates in pay period 14, the pay period that includes July 1st. These changes are the result of the recommendations from TCERA's most recent actuarial valuation dated June 30, 2019 as adopted by the Board of Retirement. The actuarial valuation, including the complete rate schedule, is available on TCERA's website, [www.tcera.org](http://www.tcera.org). The good news is that employees will see very little change, if any, to their rates. On average the change is less than .01%. The actual change in rates will depend on the entry age, membership type and tier of the member. No major assumption changes were made for the valuation period, resulting in these stable rates for employees.

Employer rates also are set to change in pay period 14, increasing approximately .28% for the entire Plan. The actual rates depend on the employer, membership type and tier of the members. Employer rates have increased because of the need to make additional contributions to pay down what actuaries call the Unfunded Actuarial Liability (UAL). Increases and decreases in the UAL are primarily driven by investment returns, although other factors can play a part. TCERA smooths investment returns over a 10-year period which helps keep employer contributions relatively stable. Each year, any change to the UAL is amortized over 19 years, allowing employers to pay off the UAL over time (similar to a mortgage payment). It is also important to keep in mind that Tulare County's employer rates are lower than other TCERA plan sponsors (Tulare County Superior Courts and the Strathmore Public Utilities District) because Tulare County issued pension obligation bonds to reduce its UAL. A complete description and analysis of the UAL as well as the employer rate schedule is available on TCERA's website, [www.tcera.org](http://www.tcera.org).

## **TULARE COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**

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