KCERA

PRUDENT INVESTMENT • QUALITY SERVICE

New Employee Guide to Retirement Benefits

Kern County Employees' Retirement Association
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<u>Note</u>: If there is any difference between this booklet and the Retirement Law of 1937, the provisions of the law will apply. For more information about KCERA's defined benefit plan, please consult the Member Handbook, available at the KCERA office or www.kcera.org.

NEW EMPLOYEE GUIDE TO RETIREMENT BENEFITS

Overview

Your Kern County Employees' Retirement Association (KCERA) membership is a valuable benefit of your employment. We recommend that you become familiar with the provisions of the plan.

The Board of Supervisors established a retirement system for Kern County under the provisions of the County Employees' Retirement Law of 1937 ("1937 Act") on January 1, 1945.

Substantial benefit improvements were added when the Board of Supervisors adopted certain provisions of the Retirement Law, effective July 1, 1968, creating a "defined benefit" retirement plan. This plan provides you with retirement, disability and death benefits. Once you have five years of retirement service credit, you will be fully vested in the plan. Vesting means you are entitled to a monthly benefit at retirement, regardless of additional service.

Effective January 1, 2001, the Board of Supervisors adopted Government Code Section 31664.1 ("3% at age 50"), providing an increased benefit formula for active and deferred safety members.

Effective January 1, 2005, the Board of Supervisors adopted Government Code Section 31676.17 ("3% at age 60"), providing an increased benefit formula for *Tier I* General members.

Effective October 27, 2007, the Board of Supervisors adopted Government Code Section 31676.01 ("1.62% at age 65"), providing a decreased benefit formula for *Tier II* General members.

Effective March 27, 2012, the Board of Supervisors adopted Government Code Section 31664 ("2% at age 50"), providing a decreased benefit formula for *Tier II* Safety members.

Effective January 1, 2013, the California Public Employees' Pension Reform Act (PEPRA) of 2013 and its companion bill, AB 197, became effective in Kern County.

Sworn Statement Card

You must complete and sign a Member Sworn Statement upon employment with Kern County. It is very important that the information you provide on the Sworn Statement Card is accurate and complete, including your Social Security number and date of birth. This document is the official record used by KCERA to calculate your contribution rate and your retirement benefits. You will be asked to complete a new Member Sworn Statement if any information on your document is missing or inaccurate.

Beneficiary

You are asked to name a beneficiary at the time you complete your Member Sworn Statement. Your choice of beneficiary is very important. This is the person designated to receive death benefits in the event of your death. Your beneficiary can be any person who has an insurable interest in your life. You may also designate a secondary beneficiary. However, if you are married, you should name your spouse as your primary beneficiary due to community property laws in California and the substantial survivor benefits available for spouses.

Your beneficiary cannot be a nonliving entity such as a living trust. However, you may name your estate as your beneficiary.

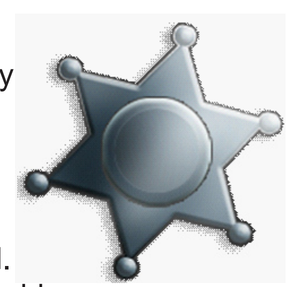
If your marital status changes or your beneficiary dies, please complete a Beneficiary Designation Form and return it to the KCERA office. This form is available at www.kcera.org or in the KCERA office.

Membership

Membership in the KCERA begins automatically upon your appointment to a permanent position of 50% or more of the regular standard hours required. Your retirement entry date is the first day of the first full bi-weekly following your date of employment. Therefore, your retirement entry date could be up to two weeks later than your date of hire.

KCERA is composed of safety members and general members. Safety members are employed in active fire suppression and active law enforcement, including detention officers, probation officers and D.A. investigators. All other members are considered general members.

For general members, if you are newly hired on or after October 27, 2007, you will be enrolled in General Tier II, which provides a benefit formula of "1.62% at 65." If you were a member prior to October 27, 2007 and your contributions remained on deposit with KCERA, you will return as a Tier I member. If you were formerly a KCERA member under Tier I, terminated employment, withdrew your funds and returned to active KCERA membership on or after October 27, 2007, you will become a Tier II member *unless* you redeposit your previously withdrawn contribution balance.



Safety members hired on or after March 27, 2012 will be enrolled in Safety Tier II under the "2% at 50" formula.

Some types of employment are not eligible for membership in KCERA. These include extra-help, temporary, per-diem, contract and part-time positions working less than 50% of the regular standard hours required. New members who are age 60 or older may "opt out" of KCERA membership. Please contact KCERA for more information about this option.

Contributions

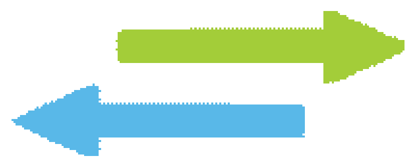
Members are required to make contributions to KCERA through biweekly pre-tax payroll deductions. Contribution rates are changed from time to time based on the results of periodic actuarial studies. Your contribution amount is based on a percentage of your base pay plus any special pays considered compensation that are includible for determining your final average compensation.

For general members hired prior to 2013, contribution rates are determined by benefit tier and KCERA entry age. For safety members hired prior to 2013, contribution rates are determined by benefit tier and each safety-represented bargaining unit. Some safety member rates are based on age of entry, whereas other safety members contribute at a flat, average rate. The contribution rates of general and safety members who join KCERA for the first time on or after January 1, 2013 are at least 50% of the normal cost rate, per PEPRA rules.

Contributions may not be withdrawn by members while actively or reciprocally employed, nor may they borrow against their contributions on deposit.

Reciprocity

If you terminate your employment with the County and within six months become a member of a reciprocal retirement system, you may leave your contributions on deposit with KCERA and defer your retirement.



If you are newly hired by the County and become a member of KCERA within six months of leaving another reciprocal retirement system, you may be eligible for reciprocity, provided you left your contributions on deposit with the other system.

Reciprocal systems include other county retirement systems operating under the County Employees' Retirement Law of 1937, any member agency under the California Public Employees' Retirement System, (CalPERS), any agency having reciprocity with CalPERS and the California State Teachers Retirement System (CalSTRS).

There are several advantages to establishing reciprocity. Your age for determining your rate of contribution, if applicable, will be your age at the time you joined the first reciprocal system. This younger age could lower your contribution rate. In addition, years of service earned under the reciprocal system will count toward your eligibilities for vesting and retirement in the new system. For example, if you come to work for Kern County and you already have five years of service credit in a reciprocal system, you will be considered vested in KCERA once reciprocity has been established. These and other benefits make reciprocity advantageous to you.

If you think you may qualify for reciprocity, please contact the KCERA office.

Termination of Employment

Members who terminate County employment prior to retirement have four options for disposing of their contribution balance:

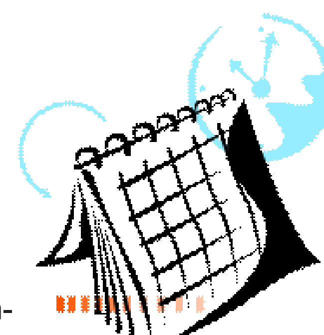
1. **Refund of contributions and interest.** You must be off County payroll for 30 days before any refund will be processed. If you return to work in any capacity within those 30 days, your contributions and interest cannot be refunded. Your refund can be issued in two ways: as a direct payment to you or as a direct rollover to a qualified tax-deferred retirement account. If you choose a direct disbursement, your refund may be subject to taxes and penalties. If you choose a direct rollover, you can avoid taxes and penalties. Please contact your tax advisor for further information regarding the tax implications of electing a refund.

2. **Deferred-Vested.** You must have five or more years of retirement service credit (i.e., be vested) to defer your retirement. You will be eligible to draw a monthly retirement benefit after you have met all eligibility requirements.

3. **Deferred-Nonvested.** You may choose to leave your contributions on deposit even if you do not have five years of retirement service credit (i.e., not vested). Your contributions will continue to earn interest, but you must eventually withdraw your contributions if you do not return to work for the County or a reciprocal agency.

4. **Reciprocity.** If you become a member of a reciprocal retirement system within six months of your date of termination from the County, you may choose to leave your contributions and interest on deposit and establish reciprocity with the new retirement system.

Retirement Service Credit



Retirement service credit will differ from service credit used by your employer for vacation, sick leave and seniority purposes. This is because you do not begin earning retirement service credit until your KCERA entry date, which can be up to two weeks after your date of hire.

Retirement service credit accumulates each pay period that you are employed in a position eligible for KCERA membership. You will accumulate one year of service credit for each year of active, full-time employment. For part-time employment, credit will accumulate proportionately, regardless of the actual number of hours worked in a pay period. For example, if you occupy a part-time position and your Notice of Employment or Change in Employee Status specifies that you work 50% of the standard hours required, you will accumulate one-half year of retirement service credit for each year of active employment.

Retirement service credit accumulates while you are working or on a leave with pay. It will not accumulate if you are on a leave without pay for an entire biweekly. If you are paid for a partial pay period, you may receive full retirement service credit for that pay period.

Certain leaves of absence (LOA) without pay may be purchased for retirement service credit Qualifying leaves of absence include up to 12 months of medical leave, maternity leave that is deemed medically necessary and up to 12 months of a period of layoff. Extended family care leave or personal leave *cannot* be purchased.

Purchase of Service Credit

Prior County Service

Members may purchase and receive service credit for certain types of prior County service, such as extra-help, per-diem, temporary and part-time employment. (Prior service that is *not* purchasable includes employment as an independent contractor or involving membership in another retirement system.) Purchased prior county service counts toward a member's vesting and retirement eligibility requirements to receive retirement benefits.

Redeposit of Withdrawn Contributions

Members may redeposit contributions previously withdrawn to restore their past service credit. For example, if you were formerly a General Tier I member, terminated employment, withdrew your funds and returned to active KCERA membership on or after General Tier II took effect (October 27, 2007), you may redeposit all contributions and interest previously refunded in order to restore your Tier I membership status and service credit. A purchased redeposit counts toward a member's vesting and retirement eligibility requirements to receive retirement benefits.

Medical Leaves

Members are eligible to purchase and receive service credit for eligible medical leaves of absence. If purchased, medical LOAs count toward a member's vesting and retirement eligibility requirements to receive retirement benefits.

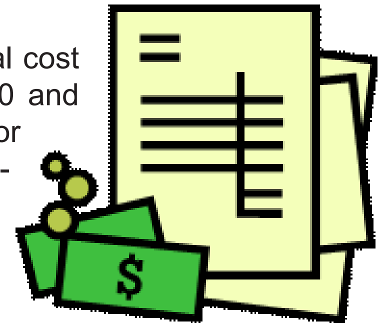
Period of Layoff

Members are eligible to purchase and receive service credit for a period of layoff if they are rehired to a prior classification in a full-time capacity within 12 months of the layoff. Purchased layoff service counts toward a member's vesting and retirement eligibility requirements to receive retirement benefits.

Prior Public Service

Members may purchase and receive service credit for employment with the federal government, the State of California, public agencies in the State of California and active military service. Retirement service credit from prior public employment does *not* count toward vesting or retirement eligibility. However, it is included in a member's total service credit after eligibility for retirement has been determined.

Purchase Costs and Payment Methods



If you elect to purchase additional retirement service credit, your total cost will include contributions plus interest. Interest is added on June 30 and December 31 of each year. Several payment methods are available for purchases of service credit. These include lump-sum payments, payroll deductions, salary advance of vacation hours, and rollover from a qualified, tax-deferred retirement plan. Payroll deductions must be made on an after-tax basis and may be spread over five years, depending on the type of time being purchased.

Applications to purchase retirement service credit are available in the KCERA office and online at www.kcera.org. You will be notified when your purchase calculation is complete.

Retirement Eligibility

Service Retirement

You may apply for service retirement when you have met the eligibility requirements. The monthly benefit you receive will be payable for life. Moreover, your eligible spouse or beneficiary may be entitled to receive a continuance of your monthly benefit in the event of your death, depending on the retirement allowance option you choose at retirement.

General Members

Any general member with at least 10 years of retirement service credit and who is age 50 or older (or who has 30 years of retirement service credit, regardless of age) is eligible for a service retirement.

Safety Members

Any safety member with at least 10 years of retirement service credit and who is age 50 or older (or who has 20 years of retirement service credit, regardless of age) is eligible for a service retirement.

Age 70

Any member having attained the age of 70 is eligible a for service retirement.

Disability Retirement

If you become disabled and permanently unable to perform the duties of your job, you may apply for a disability retirement.

Nonservice-Connected Disability (NSCD)

If you are unable to perform the duties of your job and your injury or illness is *not connected* to your job, you may apply for a nonservice-connected disability retirement. You must have at least five years of retirement service credit. Depending on your years of retirement service credit, this retirement will pay between 20% to 40% of your final average compensation throughout your lifetime.

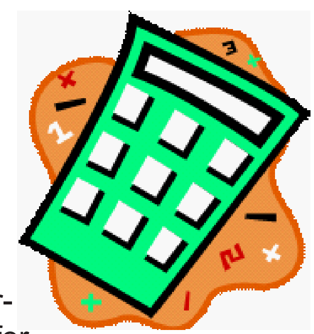
Service-Connected Disability (SCD)

If you are unable to perform the duties of your job as a result of an injury or illness arising out of or in the course of your employment, you may apply for a service-connected disability retirement. There are no minimum retirement service credit or age requirements. An SCD retirement pays 50% of your final average compensation throughout your lifetime and, if applicable, continues to your surviving spouse or minor children upon your death.

Retirement Benefits

You will receive a percentage of your final average monthly compensation when you retire. Your monthly retirement benefit ("allowance") will be based on the following factors:

1. Your age at retirement
2. Your total years of retirement service credit
3. Your final average monthly compensation (FAC)
4. Your benefit tier



You can increase your retirement benefit by choosing a retirement date that maximizes the first three factors. For example, each quarter-year of age older you are at retirement increases the age factor used to determine your benefit. This is true until age 50 for safety members, age 60 for General Tier I members and age 65 for General Tier II members.

In addition, you can increase your retirement service credit by purchasing eligible prior service and working until the end of a pay period.

You have the least control over your final average monthly compensation. However, if you will be receiving a salary increase, it may be to your advantage to work longer at the higher salary, which would increase the FAC used to calculate your pension. Contact a KCERA service representative if you have further questions about maximizing your benefits.

Survivorship Benefits

Active Members

If an active member dies, a surviving spouse may choose from the following three options:

Option 1 - Basic Death Benefit

A lump sum “death benefit” payment equal to one month’s salary for each year of service, not to exceed a total of six months’ salary, plus a refund of all the member’s contributions and interest.

Option 2 - Monthly Allowance Benefit

A monthly benefit payable for life equal to 60% of the pension amount the member would have received if he/she had retired on a nonservice-connected disability prior to dying. If the member’s death was job-related, the continuance will be 100% of the amount the member would have received had he/she retired with a service-connected disability.

Option 3 - Alternative Benefit

A lump-sum “death benefit” payment equal to one month’s salary for each year of service, not to exceed a total of six months’ salary, and a monthly benefit payable for life at a rate slightly less than the amount described in Option 2 above.

If the decedent has no surviving spouse but has minor children, **Options 1 and 2 only** are available to the guardian of the children and are payable only until the youngest child marries, dies or reaches age 18 (up to age 22 if enrolled full time in college), whichever occurs first.

If the decedent has no surviving spouse or minor children, the designated beneficiary is eligible to receive **Option 1 only**.

Violent Death on the Job

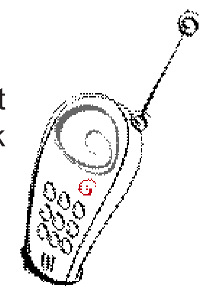
If an active member’s death is the result of a violent incident on the job, the member’s surviving spouse will receive the following benefits:

1. A lump sum “death benefit” payment equal to one month’s salary for each year of service, not to exceed a total of six months’ salary, **AND**
2. A lump sum payment of one year’s salary at the most current rate of pay, **AND**
3. A lifetime monthly benefit of 100% of what the member would have received had he/she received a service-connected disability retirement, **AND**
4. If the member has surviving minor children, they will also receive a monthly continuance.

Additional Benefit - Safety Members

If a safety member is killed in the performance of duty, the surviving spouse will receive one year's pay based on the decedent's salary at the date of death in addition to any other benefits payable.

Contact Us



If you have any questions about the information provided in this booklet or about your benefits as a member of KCERA, please contact the KCERA office to speak with a retirement services representative (RSR).

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