

age 62 may differ from the amount shown on the statement. KCERA will reduce your KCERA benefit by this amount, even if you actually receive a different amount from Social Security.

Reduction in Benefits

Your KCERA benefit will be reduced at age 62, depending on your birthday. For members whose date of birth falls on the 1st or 2nd of a month, your KCERA benefit will be reduced the same month you turn age 62. For members whose date of birth falls on any other day, your KCERA benefit will be reduced the following month.

Cost-of-Living Adjustment (COLA)

Temporary Annuity amounts are subject to the COLA each April 1. However, all COLA amounts attributed to the Temporary Annuity will end when your KCERA benefit is reduced at age 62.

Member Responsibilities

As a KCERA member, you assume certain responsibilities when you choose the TAO:

- **Provide an SSA Earnings and Benefit Statement.** It is your responsibility to provide KCERA with an Earnings and Benefit Statement. It is advantageous for you to request an updated statement from the SSA three to six months before your retirement date.
- **Apply for Social Security benefit at age 62.** It is your responsibility to apply for Social Security benefits well before you

turn 62. KCERA will reduce your benefit at age 62 whether or not you have applied for Social Security benefits.

Obtaining an Earnings and Benefit Statement

Approximately three months before your birthday each year, the SSA will mail you an Earnings and Benefit Statement. This statement is normally sufficient for KCERA to compute a reasonable estimate of your Temporary Annuity amount. However, when you are preparing to retire, you can request an updated Earnings and Benefit Statement from the SSA by calling (800) 772-1213 or by visiting www.ssa.gov/mystatement. Or, you may request the statement through KCERA by signing a consent form at the KCERA office.

KCERA prefers that your Earnings and Benefit Statement be less than six months old.

Supplemental Benefits

Choosing the TAO will have no effect on your eligibility for supplemental benefits provided by the Supplemental Retiree Benefit Reserve.

Questions

This pamphlet provides general information about the Temporary Annuity Option. For questions concerning your particular situation, please contact KCERA to speak with a retirement services representative.

If there is any difference between this pamphlet and the Retirement Law of 1937, the provisions of the law will apply.

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Your Retirement. Your KCERA.

Temporary Annuity Option



**Kern County Employees'
Retirement Association**

Temporary Annuity Option

KCERA provides a Temporary Annuity Option (TAO) available to members retiring prior to age 62 who are entitled to Social Security benefits at age 62. The option is designed to level out retirement income for such members: increasing retirement benefits prior to age 62 and decreasing benefits after age 62, when Social Security benefits begin. Members choosing this option must file for Social Security benefits at age 62 in order to maintain a level retirement income.

How is the TAO Computed?

Members choosing the TAO must provide KCERA with a current Earnings and Benefit Statement from the Social Security Administration (SSA). KCERA will use the statement to estimate your Social Security benefit at age 62. KCERA will multiply this estimated benefit by a modification factor based on your age at retirement. The result will be your Temporary Annuity amount.

The Temporary Annuity amount is then added to your basic KCERA retirement benefit. The combined amounts represent the monthly benefits you will receive from KCERA until age 62. At age 62, your total KCERA benefits will be reduced by the amount of your Social Security benefit, shown on the Earnings and Benefits Statement that you provided. The following example illustrates how the TAO works:

- A General member retiring at age 50 is eligible for an unmodified KCERA benefit of \$1,500.

- The member provides a SSA Earnings and Benefit Statement showing an estimated benefit at age 62 of \$600.
- The SSA benefit amount of \$600 is multiplied by a modification factor of 0.337703, based on the member's age at retirement, to arrive at a TAO amount of \$203.
- The TAO amount of \$203 is added to the member's unmodified benefit of \$1,500, resulting in a total KCERA benefit of \$1,703 per month, payable until age 62.
- At age 62, the member's KCERA benefit is reduced by \$600, leaving a KCERA benefit of \$1,103 per month, payable after age 62.
- The member then applies for the SSA benefit of \$600, resulting in combined pensions of \$1,703 per month, payable after age 62.

Eligibility

To choose the TAO, you must meet the following eligibility requirements:

- **You must be retiring for service.** You cannot choose the TAO if you will be receiving a disability retirement.
- **Your employment must be integrated with Social Security.** All Kern County employees participate in Social Security; their KCERA benefits are integrated with Social Security. However, there are

some Special District employees who do not participate in Social Security; their retirement benefits are not integrated with Social Security. Such employees are not eligible for the TAO.

- **Your retirement benefit cannot be reduced to zero at age 62.** You may not be eligible to choose the TAO if it would reduce your KCERA benefits to zero at age 62.
- **You must be under age 62 when you retire.** If you are 62 or older at the time of retirement, you may not choose the TAO.

Estimating the TAO

You may request an estimate of your retirement benefits, including the TAO, by completing an Estimate Request form. Estimate Request forms are available at the KCERA office or online at www.kcera.org. You must include a copy of your latest SSA Earnings and Benefit Statement.

Please allow two to four weeks for completion of your estimate request.

Advantages and Disadvantages

Choosing the TAO may provide certain advantages to members retiring before age 62. However, there are also some disadvantages associated with the TAO. You should carefully consider both before choosing the TAO.

Advantages:

- **Increased benefits until age 62.** The TAO allows you to receive increased benefits

from KCERA until age 62. By receiving increased benefits, you may be able to retire at an earlier age than you may have otherwise planned.

- **Level retirement income for life.** The TAO allows you to coordinate your KCERA benefits with future Social Security benefits in order to level out your retirement income for life.
- **No effect on survivor continuance.** Choosing the TAO does not affect your survivor continuance, which is computed based on the retirement option you chose *without regard to the TAO*. For example, if you chose the Unmodified Option, your eligible surviving spouse would receive 60% of the benefit that was computed *before* the TAO was added. Further, your surviving spouse's continuance would not be reduced at age 62, even though your benefit would be.

Disadvantages:

- **Decreased KCERA benefits at 62.** The TAO allows you to receive increased benefits from KCERA until age 62 with the understanding that your KCERA benefit will be reduced by the full amount of your estimated Social Security benefit once you reach age 62.
- **Estimated Social Security benefits.** Your Temporary Annuity amount is computed based on your SSA Earnings and Benefit Statement. However, the statement is only an estimate of the benefit you may receive from the SSA. Your actual SSA benefit at