



Retirement Chronicles

A quarterly publication of the Kern County Employees' Retirement Association

News & Views

January 2013

PEPRA is Here!

The California Public Employees' Pension Reform Act (PEPRA) of 2013 (formerly known as AB 340) and its companion bill AB 197 became effective on January 1, 2013.

Limited Impact on Current Members

The benefit formulas of active and deferred KCERA members hired prior to January 1, 2013 *will not change*. However, AB 197 amended Government Code Section 31461 to more specifically define "compensation earnable" for pre-2013 members. At its December 12, 2012 meeting, the Board of Retirement adopted a resolution listing all compensation earnable special pay items. ([Click here](#) to see a complete list of included and excluded items.)

PEPRA impacts retirees returning to work as extra-help or contract employees. Most retirees must wait 180 days after retirement before returning to County service. Retiree contract and extra-help employees continue to be limited to 960 hours within a fiscal year period, and compensation is limited to that of similar classifications. Additionally, in no case is a retiree eligible for hire as a contract or extra-help employee if any unemployment insurance compensation was received during the 12-month period prior to an appointment. Lastly, retiree benefit formulas and COLA calculations *will not change*.

Greater Impact on New Actives

PEPRA primarily affects new employees hired on or after January 1, 2013 in the areas of benefit formulas, final average compensation period, "pensionable compensation," salary cap and retirement contributions. Some PEPRA provisions impact all new employees, whereas other provisions only affect district employees hired under the new PEPRA tier. Below is a brief summary of who is affected and how.

Benefit Formulas

PEPRA prevents public employers from offering their new employees a defined benefit formula above certain limits. KCERA's General Tier II ("1.62% at age 65") and Safety Tier II ("2% at age 50") formulas meet PEPRA's maximum allowance limits and can therefore remain in effect. Certain special districts have chosen the new PEPRA formula ("2.5% at age 67") for their new hires.

Final Average Compensation Period

Employees who are hired on or after January 1, 2013 will have their retirement benefit calculated on a three-year final average compensation (FAC) period, as opposed to a one-year period for pre-2013 hires.

(continued on page 4)

INSIDE
This Issue

Page 1 PEPRA is Here!
Page 2 Changing Faces on the Board
FAQ: Trustee Education

Page 3 Talking Shop: Temporary Service Delays
Retiree News: Form 1099-R
Page 5 Dissecting Your Benefit Statement

Changing Faces

on the Board ... **and a Special Election**

Following November's election, KCERA welcomed a new safety member to the Board of Retirement. Fire-fighter Rick Kratt was appointed in lieu of an election because he alone ran for the open seat. Please join KCERA in congratulating Mr. Kratt.

The board's *safety member alternate* seat is still open, as is a *general member* seat, because nominations were not submitted for these positions. As a result, a special election will be held beginning in February 2013 to fill the empty seats.

If you are elected, you will become a trustee of KCERA's \$3.0 billion fund. You will also be among a select few who collectively oversee a pension plan affecting more than 16,000 members in Kern County.

If you would like to join the board, watch your mail in February for instructions from the Kern County Elections Department on how to file as a candidate.

Departing Trustees



Jeff Frapwell



Joseph Hughes



Mark Ratekin



Bart Camps



Zack Scrivner



Rick Kratt

New Trustee

In addition, KCERA offers its sincere thanks to departing board members Jeff Frapwell (general), Mark Ratekin (safety), Bart Camps (safety alternate), Joseph Hughes (appointed) and Zack Scrivner (appointed). Their contributions to the board have been valuable over the years.

Special recognition is due to Mr. Hughes and Mr. Frapwell for each serving as chairman of the board in 2009 and 2012, respectively.

The Retirement Chronicles will keep you updated as new trustees are appointed or elected.

faq

Do board members have educational requirements?

A. KCERA's Trustee Education Policy encourages trustees to attend several educational events during their three-year term. Training may include conferences, courses, workshops or similar events in the areas of investments, plan governance, law, etc. The recent passage of AB 1519 required KCERA to amend its policy such that

trustees must obtain at least 24 hours of education in the first two years of their term. The rule also applies to every subsequent two-year period of service on the board. The 24-hour standard ensures that trustees acquire sufficient knowledge and training to successfully discharge their critical board duties.

Talking Shop

TEMPORARY SERVICE DELAYS ANTICIPATED

As the new year begins, KCERA would like you to be aware of a few operational challenges that could affect the service provided to members. Due to the high volume of retirements expected this spring and implementation of a new pension administration system (CPAS) during the same period, delays can be expected for the following:

- *Service purchase estimates:* up to 3 months for prior county (longer for prior public).
- *Benefit estimates:* 2-3 months for DRO (divorce) estimates.
- *Retirement counseling:* retirements within next 6 months only.

You can request a service purchase estimate by completing and submitting the appropriate form, which can be found in the lower-right corner of KCERA's homepage (www.kcera.org) under "Form Links."

Retirement benefit estimates are being temporarily discontinued until implementation of CPAS is completed in the summer of 2013. If you would like an estimate calculated, click "Online Benefit Estimator" on our website under "Form Links" to perform a calculation using KCERA's online tool. As long as your inputted gross biweekly salary is accurate, your benefit estimate will be very close to the amount calculated by KCERA staff. If a member is retiring within six months, a Retirement Services Representative (RSR) will be happy to calculate a more in-depth, detailed retirement benefit estimate in order to assist you in planning your pending retirement.

Until further notice, retirement counseling sessions are reserved for members planning to retire in the next six months. To meet with a RSR, please contact KCERA to schedule an appointment.

(continued on page 4)

UPCOMING EVENTS

Board of Retirement Meetings

January 9
February 13
March 13
April 10

Investment/Regular Board meetings are scheduled on the second Wednesday of each month at 8:30 a.m.

The public is invited to attend. Board meeting agendas are available at www.kcera.org.

The Board of Retirement meets in the KCERA Board Room located at 11125 River Run Blvd. Bakersfield, California 93311.



Retiree News

Form 1099-R Coming Soon

KCERA's custodial bank, Northern Trust, will mail a Form 1099-R to you by the end of January. This important tax document provides information about income taxes withheld from your monthly KCERA benefit payments. Please keep your Form 1099-R with other important tax documents. If your benefit is not subject to federal and state income taxes, you will not receive the form.

PEPRA is Here!

(continued from page 1)

Pensionable Compensation

“Pensionable compensation,” as defined by PEPRA, will be used to calculate the final average compensation for employees hired on or after January 1, 2013. Sub-section 7522.34(c) specifies twelve categories of pay items that are not includible in pensionable compensation. The Board of Retirement adopted a resolution on December 12, 2012 listing special pay items considered pensionable compensation. ([Click here](#) to see a complete list of included and excluded items.)

Salary Cap

The new law also sets a maximum compensation amount on which retirement benefits will be calculated. Employees hired under a PEPRA tier can only earn benefits based on \$113,700 in pensionable earnings. The salary cap is higher for employees under a PEPRA tier who are not integrated with Social Security (e.g., certain districts). KCERA employers who have adopted General Tier II or Safety Tier II are exempt from the PEPRA salary cap.

Retirement Contributions

PEPRA provides for equal sharing of normal costs between the employer and the employee. All employees hired on or after January 1, 2013 will pay retirement contributions equal to at least 50% of the “normal cost rate,” as determined by KCERA’s actuary.

PEPRA has brought many changes to the KCERA plan. Implementing the new law will take time due to its complexity, broad impact and lasting effects. KCERA will keep its stakeholders apprised of any further plan changes or legal interpretations as they arise.



BOARD OF RETIREMENT

AS OF JANUARY 9, 2013

Jackie Denney, *Chairman*
Michael Turnipseed, *Vice-Chairman*
Norman Briggs
David Couch
Lance Horton
Rick Kratt
Konrad Moore
Phil Franey, *Alternate*

Talking Shop

(continued from page 3)

As a final note, if you resign from County employment, you must wait 55 days to be eligible to withdraw your retirement funds. However, a 30-day waiting period applies if you are terminated or laid off.

CONTACT US

Kern County Employees’ Retirement Association
11125 River Run Blvd. Bakersfield, CA 93311
Ph: (661) 381-7700 / Toll Free: (877) 733-6831
Fax: (661) 381-7799 / Web: www.kcera.org



Dissecting your retirement benefit statement



In mid-February, KCERA will mail a Retirement Benefit Statement to active and deferred members. Its purpose is to update members on the status of their KCERA accounts and future benefits.

Active members will see the accrual of additional years of service (and perhaps salary) compared to past years, whereas deferred members will not see service or salary changes since the day they left county service. However, the age factor used to calculate retirement benefits will continue to increase: up to age 50 for safety Tier I members, up to age 55 for safety Tier II members, up to age 60 for general Tier I members, and up to age 65 for general Tier II members. In other words, your pension will increase simply because you are a year older (up to the ages noted above).

The first thing to look at on the benefit statement is the "Personal Information" section on page 1. Please confirm that this information is correct as of the date listed on page 2. If not, contact KCERA immediately to update the information.

For active members, the "Employee Contributions" section on page 1 displays biweekly contributions, if any, and total contributions made last year. Page 2 shows account totals. (Deferred members will see their account totals on page 1.)

Page 2 includes the most popular section of the statement: the estimated monthly benefit. Following a list of assumptions and disclosures, recipients will see an estimated monthly pension amount as of their earliest possible retirement date. Members who have reached age 50 with 10 years of service credit will see a current date because they are eligible to retire now.

The final sections provide contact information for the Social Security Administration and KCERA.

We hope you find this statement useful in your retirement planning!

Kern County Employees' Retirement Association
11125 River Run Boulevard
Bakersfield, CA 93311
Tel (661) 381-7700 • Fax (661) 381-7799
Toll Free (877) 733-6831
TTY Relay (800) 735-2929



PRUDENT INVESTMENT • QUALITY SERVICE

RETIREMENT BENEFIT STATEMENT

37452

John Doe
1115 Truxtun Avenue
Bakersfield, CA 93301

Your retirement benefits are an important component of your financial security. This statement provides information you can use in your financial planning, such as the current value of your contributions and a projection of future benefits you may be entitled to receive.

PERSONAL INFORMATION

SSN (last 4 digits):	1234	Department: 2116
Date of birth:	September 22, 1971	County Clerk
Status:	Employed	
Percent of full time schedule:	100%	
Classification:	General	
Entry age for contributions:	32	
Date of entry into the system:	June 1, 2003	
Primary Beneficiary(ies):	Jane Doe	
Years of credited service:	8.5892	

The Kern County Employees' Retirement Association is a defined benefit plan. Your pension is based on your age, compensation and years of service. It is not based on your contributions. Your years of service do not include any prior county service, reposit or leaves of absence that you are currently purchasing.

EMPLOYEE CONTRIBUTIONS

Your contribution rates are based on the age you entered KCERA. The rate is applied to your bi-weekly base pay, plus certain special salary allowances to obtain your bi-weekly retirement contribution.

You currently are not making a contribution.

In 2012 you made contributions of \$0.00 into the retirement system through payroll deductions. This contribution total excludes any service that you are currently purchasing through payroll deductions.

**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
RETIREMENT BENEFIT STATEMENT**

John Doe
January 14, 2013

EMPLOYEE CONTRIBUTIONS

Employee contribution balances as of December 31, 2012:	Tax Deferred	Taxed	Total
Contributions:	\$10,526.58	\$0.00	\$10,526.58
Contribution Interest:	\$3,857.64		\$3,857.64
Court Contributions:	\$0.00		\$0.00
Court Contributions Interest:	\$0.00		\$0.00
Total Contributions and Interest:	\$14,384.22	\$0.00	\$14,384.22

ESTIMATED RETIREMENT BENEFIT AT EARLIEST RETIREMENT DATE

The benefit amount shown here is an estimate of future retirement income. In calculating your benefit estimate, the following assumptions were made:

1. You will work continuously at your December 31, 2012 employment status and base compensation rate until the retirement age indicated;
2. Your current annual rate of special pay will remain constant;
3. Your future service will be earned as a General member;
4. There will be no change in the law or the retirement system between now and the age indicated; and,
5. You will meet all eligibility requirements at the projected retirement age.

Prior service, reposit or leave of absence that you are currently purchasing is not included in the estimate. Reciprocal service may not be included in the estimate. In order to receive benefits from reciprocity, your date of retirement must be the same for all reciprocal systems.

If you retire on September 22, 2021 at age 50 with 18.2723 years of service, your estimated monthly retirement benefit will be \$1,480.33. Your estimated benefit may be inflated due to salary adjustments retroactively paid to you.

The benefit shown is payable under the Unmodified Option. Under this option, your spouse or registered domestic partner at the time you retire is eligible to receive 80% of your benefit after your death. You may select from several benefit payment options in addition to the one shown here. After you retire, your benefit will typically be adjusted for "cost of living" each year on April 1.

SOCIAL SECURITY BENEFIT

In addition to KCERA benefits, you may be entitled to receive Social Security benefits during retirement. You can obtain an estimate of your monthly Social Security benefit by calling Social Security Administration's toll-free number at (800) 772-1213 and asking for a Request for Earnings and Benefit Estimate Statement.

CONTACT US

Please review your statement carefully. If you have any questions about the information provided, please contact KCERA immediately. If you would like more information or need to change your beneficiary information, address or name, please contact KCERA at (661) 381-7700 or toll free at (877) 733-6831.