



Retirement Chronicles

News Today About Your Tomorrows

July 2001

Quarterly Newsletter

Reader Feedback

You may reach us at:

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Bakersfield CA 93301
Attn: Newsletter Editor

Kcera@co.kern.ca.us

Or Fax your suggestions to:

(661) 868-3779

Upcoming Events

Retirement Planning Seminar
December, 2001

Retirement Board Meetings
Investment Board
2nd Wed. of each month

Regular Board
4th Wed. of each month

Correction

In the April 2001 Retirement Chronicles, the toll free telephone number for Northern Trust was listed incorrectly. The correct number is 1-866-776-4655. We regret any inconvenience our error caused.

Retirement Service Credit Purchases – Payment Options

Most KCERA members know that prior Kern County service and prior public service can be purchased to receive retirement service credit. Purchasing service credit is a great way for KCERA members to enhance their retirement benefits. But, you may not be aware of the variety of payment options available to make your purchase. Here is a brief explanation of those options.

Lump Sum – This option is the most cost-effective alternative because you will not incur any further interest charges with your lump sum payment. This is the only option available to deferred members.

Payroll Deductions – This option allows you to make bi-weekly payments by payroll deduction. The number of payments required is dependent upon the type of time being purchased. However, payments may not be spread longer than five years. It is important to remember that with payroll deductions, you incur additional interest charges based upon our actuarial interest rate, currently 8%. Further, payroll deductions are structured as an amortized loan. Therefore, more interest charge is incurred at the beginning of your purchase.

Payroll deductions are available on either a pre-tax or after-tax basis. Please note that if you choose the pre-tax option, you may not stop the payroll deductions for any reason other than terminating your employment. Further, you may not pay off a pre-tax contract early, even if you will be retiring.

Salary Advance – If you are within three months of your retirement date, you may choose to rollover accumulated vacation and/or sick leave to pay for service credit purchases. You may also choose to rollover vacation one time only during your employment.

The salary advance option is not available on a pre-tax basis. The Auditor's office will withhold taxes at the supplemental rate, approximately 41.5%. If you do not have sufficient vacation and/or sick leave to complete the purchase, you must pay the balance due in a lump sum.

Please contact the KCERA office if you would like more information about purchasing prior Kern County service or prior public service. Our service representatives can help provide the information you need to decide whether purchasing service credit is the right decision for you.

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Board Members:
Phil Franey, Chairman
Geoffrey B. King, Vice Chairman
Sharon Clark
John De Mario
Brent Dezember

Sharon E. Lesser
Ken Peterson
Tony Plante
Mark J. Smith
Michael Bradley, Alternate

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FAQ's

Q. When can I retire?

A. KCERA members can retire anytime after meeting minimum eligibility requirements. For service retirement, you must have at least 10 years of retirement service credit and be at least age 50. General members who have 30 or more years of service credit may retire at any age. Safety members who have 20 or more years of service credit may retire at any age.

Q. Can I have my retirement check directly deposited to my checking or savings account?

A. Your retirement check can be electronically transferred to your checking or savings account. This is called an Electronic Funds Transfer or EFT and it is a convenient and safe way to receive your monthly retirement checks. If you are already retired, contact the KCERA office or Northern Trust for an Electronic Deposit Authorization Form. If you will be retiring soon, the KCERA office will include an Authorization Form as part of your retirement application package.

From the Desk of the Executive Director

Dear Member,

I am pleased to inform you that the Cost of Living Adjustments (COLA) for retired members may be permanently increased from 2% to 2.5% a year in the near future. This increased benefit represents just one item in a proposed settlement of the "Ventura II" litigation to be placed before the court for approval soon. The parties to litigation, including the class of KCERA members, of which you are a part, the KCERA Board of Retirement and the County of Kern as respondents have agreed in principle on a number of issues, including this matter of an increased COLA. If the court approves the settlement, the increased COLA will become effective April 2002.

The COLA increase will be vested, as is the 2% COLA now. *This means that you will be able to rely upon this benefit once it is adopted and the court approves the settlement and that the benefit will also be available for succeeding generations of retirees.*

As part of the settlement, the Board of Retirement will provide funding for the piece of the costs which has accrued to date, the so-called "prior" costs of the enhanced benefit. This funding will come from supplemental funds (Supplemental Retirement Benefit Reserve) in the retirement plan which have accumulated from excess earnings over the bull market of the last decade.

The employer will currently provide funding for the increase in benefit accruing each year and for the future accrual of benefits and will pick up funding of prior service costs when the funds provided by the retirement system are exhausted. Acting in your best interests, the Board of Retirement is confident that it will secure extra value for all its members, current and future, by utilizing supplemental funds in this fashion. The supplemental funds contributed to this program would otherwise have been used for increased benefits to current and future retirees in any case. Through the settlement, these funds lock in additional value for the membership.

I will report on other items of the settlement proposal next time.

May you all enjoy a summer uninterrupted by rolling blackouts, however likely.

'Til then,

David J. Deutsch, CFA

Of Interest to our Retirees – Returning to Work

We hope that our retired members are enjoying their well-earned retirement. We recognize, though, that many of our retirees return to work after retirement. Therefore, we provide the following information to help you decide whether returning to work is the right decision for you.

You may work for any employer other than Kern County without affecting your KCERA pension. However, if you return to Kern County employment, you must observe certain rules to avoid having your pension affected.

You may work for a Kern County employer in an extra-help capacity not to exceed 960 hours or 120 days in any calendar or fiscal year without affecting your KCERA pension. The department you choose to work for must have such extra-help appointments approved by the Board of Supervisors each year. Further, your department must keep track of the hours and/or days that you work so that you do not exceed the limits of 960 hours or 120 days. If you do exceed these limits, your pension will be adjusted accordingly.

Whether to work after retirement is a personal decision to make. We hope that by providing this information, you will be able to make an informed decision about returning to work. If you have any questions, please contact the KCERA office.