



THE RETIREMENT CHRONICLES

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Terminal Vacation: RETIRING ON YOUR TERMS

As you approach retirement, you should consider what to do with the vacation hours you have accrued throughout your career. You may be eligible to roll over the accruals to your Deferred Compensation account. You may also have the option of taking a lump-sum payout of the vacation hours at retirement, though the IRS's required supplemental rate may sizably reduce your payout.

To avoid the high tax rate, many prospective retirees prefer to go on "terminal vacation," an employer policy that lets you run out your final weeks or months of employment using your vacation balance. For example, if you had three months of vacation hours, you could go on terminal vacation from January 1 to March 30. If your last day of work was March 30, your first day of *retirement* would be March 31.

Terminal vacation offers certain advantages:

- You will be taxed at your normal rate, not the higher supplemental rate.
- You will continue to accrue service credit, which will increase your pension.
- You will continue to receive health insurance.
- You will continue to be paid each biweekly.

Here are a few steps to follow if you decide to use terminal vacation:

- Contact your department's payroll clerk. If you know your retirement date, ask the clerk to determine how long your terminal vacation will last. This will help "back into" when you can start your vacation. However, if you have not decided on a retirement date but know when you want to begin terminal vacation, ask the clerk to determine how long your accrual will last. Your retirement date will be the day after your vacation hours are exhausted.
- Submit an official request to your department head to use terminal vacation.
- Tell KCERA when your terminal vacation will begin and end.
- Submit your retirement application packet to KCERA when you *start* terminal vacation.

Please note that once you begin terminal vacation, you *cannot* return to work. In fact, your department can fill your position after you leave. Therefore, it is essential to coordinate your terminal vacation plans with your department in advance.

To learn more, please contact KCERA.



How To ... **GENERATE BENEFIT ESTIMATES ON THE MEMBER PORTAL**

If you have registered for a Member Portal account at www.kcera.org, you can generate benefit estimates whenever you like! Below are step-by-step instructions for running an estimate that uses your *current* salary and service data.

1. On the Member Portal login page, enter your username and password.
2. Your portal “home page” will display. Click “Run and View Benefit Estimates” in the middle column.
3. On the next screen, click “Run New Estimate” in the left sidebar.
4. Enter your *last* day on payroll (“Termination Date”) and your *first* day of retirement (“Retirement Date”). For active members, your retirement date will be one day after your termination date. Click “Next.”
5. On the “Optional Data” screen, click “Next.” Do not enter any projected earnings or years, unless you want to override your current data.
6. On the next screen, you will see a summary of your calculation inputs. Click “Next.”
7. Your benefit estimate will appear. Click “Submit” to save the estimate in your portal account, or click “Cancel” to start over.



FAQ:

Who is entitled to KCERA benefits when I die?

The person you designate as your “primary beneficiary” will receive one or more retirement benefits when you pass away. However, those benefits will differ depending on various factors. For example, a “surviving spouse” of a retiree may receive a lifetime benefit continuance, but eligibility requirements apply. Retirees can also name someone to receive a \$5,000 death benefit. Active member death benefits

are usually lump-sum payments to a primary beneficiary. Benefit payment(s) to your beneficiary may be reduced if your divorce decree requires division with a former spouse. Life is uncertain, so please keep your beneficiary information up-to-date. Complete a new Beneficiary Designation Form if you get married or divorced, or if your beneficiary dies or has new contact information.

Litigation Update

There are three cases pending in California courts that will address legal issues affecting California's public pension community. The cases involve the retirement associations of Marin County, Alameda County and a few other northern counties. While the courts in those cases may discuss general vested rights law in California in reaching their ultimate decisions, the case before these courts solely deal with the question of whether certain parts of PEPRA infringed upon the vested rights of legacy (non-PEPRA) members. Two of the three cases are currently before the California Supreme Court, but a ruling is not expected until at least 2019. KCERA is monitoring the cases and will provide an update when there is information to share.

New Reports

KCERA recently published its **2017 Comprehensive Annual Financial Report** (CAFR), which provides in-depth financial, investment, actuarial and statistical information about the Plan. KCERA also posted its **2017 Actuarial Valuation**, a report produced by its actuary, Segal Consulting. The annual valuation presents employer and employee contribution rates needed to fund the Plan as well as a detailed accounting of KCERA's present and future assets and liabilities. Both reports are available at www.kcera.org.



Your Retirement Benefit Statement

If you are an active or deferred member, KCERA will mail you a Retirement Benefit Statement in March. The statement will include your KCERA account profile, estimates of your future KCERA income and other useful information.

On page 1 of the statement, you will find two sections. The first, *Personal Information*, will list your employment and membership details as of a certain date. Please confirm that the information is correct. The second section, *Employee Contributions*, will display your retirement contribution balance as of a certain date and your total contributions made in 2017. As a reminder, active members are not permitted to withdraw or borrow against their contributions for any reason.

On page 2, the *Estimated Retirement Benefits* section will list up to three benefit estimates based on different retirement dates (e.g., at age 50, 55 and 60). If you are already age 50 with 10 years of service credit, you will see a current date because you are eligible to retire now. The estimates will not take into account divorce-related benefit reductions. KCERA must perform that calculation manually.

In your Member Portal account, accessible from www.kcera.org, you can run additional benefit estimates using different retirement dates, years of service and final salaries. If you have not already registered for a portal account, sign up today!

The final sections of your Retirement Benefit Statement provide contact information for the Social Security Administration and KCERA. If you find any inaccurate data on your statement, please contact KCERA.

Retiree News

FORM 1099-Rs MAILED

KCERA mailed a Form 1099-R to retirees at the end of January. This is an important tax document that provides information about your distribution and federal and state (California) income taxes withheld

from your monthly KCERA benefit. Please keep this form with other important tax documents. If your entire KCERA benefit was not subject to income tax, you did *not* receive a Form 1099-R.

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Spotlight

San Joaquin Valley Air Pollution Control District

The district seeks to improve the health and quality of life for residents in eight Central Valley counties through efficient and effective air quality management strategies, specifically by controlling pollution from sources other than motor vehicles and consumer products. The district is committed to meeting the numerous ambient air-quality standards set by federal and state authorities.

The agency joined KCERA as a special district in 1992. Presently, it has 273 active members in KCERA.

North of the River Sanitary District

The district was formed in 1940 to convey, treat and dispose of wastewater from residential, commercial and industrial users in Oildale, later expanding its service area to include areas of Bakersfield and the county. The district's wastewater collection system consists of 180 miles of sewers, four lift stations and a 7.5 million-gallon-per-day treatment plant.

The agency joined KCERA as a special district in 1963. Presently, it has 13 active members in KCERA.



PRUDENT INVESTMENT • QUALITY SERVICE

Kern County Employees'
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