



Retirement Chronicles

A quarterly publication of the Kern County Employees' Retirement Association

News & Views

January 2015

Death Benefit *Increased* to \$5,000

Last year, a local employee group requested that the Board of Retirement consider distributing unallocated “supplemental” funds to enhance existing retirement benefits. Their request was vetted by the Board of Retirement’s Finance Committee. At its recommendation, on December 10, 2014, the board approved an increase to the death benefit from \$3,000 to \$5,000, effective January 1, 2015.

History of the Death Benefit

In 1971, the KCERA board approved a \$750 payment (“death benefit”) to the designated beneficiary of a deceased KCERA retiree. In 1991, the amount was increased to \$1,000. In 2007, the board again approved an increase to \$3,000.

In March 2014, the Coordinated County Employee Organizations of Kern (CCEOK) petitioned the board to enhance the death benefit again. An actuarial study was commissioned to analyze the long-term costs of a higher benefit. KCERA’s actuary, Segal Consulting, presented two Benefit Improvement Studies to the Finance Committee last fall.

In November, the committee recommended that the full board approve the \$5,000 death benefit. At its December meeting, the board agreed to the benefit increase.

How the Death Benefit is Funded

KCERA funds death benefits from a special account earmarked for retirees: the Supplemental Retiree Benefit Reserve (SRBR). Kern is one of only three counties in California to have adopted Article 5.5, which created this unique account for KCERA. Today, the \$119 million reserve finances the SRBR Tiers 1, 2 and 3 benefits, the 0.5% COLA, and the death benefit for all eligible¹ retirees: past, present and future (i.e., current employees who will retire one day).

The SRBR is funded separately from KCERA’s main pension fund, which means that payments from the SRBR do *not* negatively impact KCERA’s overall funded status. According to Segal Consulting, the SRBR’s total benefits were 182% funded as of June 30, 2014. After the \$5,000 death benefit takes effect, the funded ratio is estimated to decrease to 167%.

The Impact on You

KCERA’s enhanced death benefit means that, starting in 2015, if you (a KCERA retiree) die, your designated “death benefit beneficiary” will be entitled to a \$5,000 payment.² You can even name multiple people for this benefit using KCERA’s Beneficiary Designation Form.

¹ Eligibility varies by benefit.

² This amount is subject to tax withholding unless it is rolled into an inherited IRA.

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BOARD MEMBER CHANGES

At the end of each year, the Board of Retirement appoints its leaders for the coming year. Last month the board elected **Dominic Brown** as chairman and **Phil Franey** as vice-chairman.

Brown was elected to the board by general members in 2013 and served as its vice-chairman in 2014. He currently works as a division chief in the Auditor-Controller's Office.

Franey was elected to the board by retired members in 2008 and served as its Eighth Member Alternate through 2013, when retirees elected him to the Eighth Member seat. He is also the president of the Retired Employees of Kern County (REOKC).

KCERA would like to thank **Michael Turnipseed**, a trustee appointed by the Board of Supervisors in 2011, for serving as the board's chairman last year.

KCERA also offers its thanks to **Jackie Denney**, who faithfully served as the board's *ex officio* member since 1998 and as its chairman in 2013. Denney is retiring from her role as the Kern County Treasurer-Tax Collector.

Also leaving the board in December 2014 was **Russell Albro**, the board's Seventh Member Alternate elected by safety members. Albro serves as a commander in the Sheriff's Office.

KCERA thanks Mr. Turnipseed, Ms. Denney and Mr. Albro for their years of service on the board.



D. Brown



P. Franey



M. Turnipseed



J. Denney



R. Albro

A special election will be held on April 21 to fill the board's vacant Seventh Member Alternate seat.

Safety members (Sheriff, D.A. Investigators and Probation) are encouraged to submit nomination papers. In the coming weeks, the Elections Department will mail a *Notice of Special Safety Election* to all eligible candidates.

faq

What does "lifetime continuance" mean?

KCERA often uses this term when discussing survivorship benefits paid to the beneficiary of a deceased retiree. It means that a percentage of the retiree's monthly benefit will continue to the beneficiary until *that* person dies. In other words, the benefit is paid through the lifetime of both the retiree and the beneficiary.

The exact percentage paid to the beneficiary depends on the retirement option chosen by the retiree: 60% (*Unmodified Option*: eligible spouse or partner only), 100% (*Option 2*), or 50% (*Option 3*). To learn more about lifetime continuances and retirement options, please contact KCERA.

e-Remittance DRAWING WINNERS!

Thanks to the 800 retirees who enrolled in KCERA's Electronic Remittance Program! More than ten percent of KCERA's retiree population signed up to receive their monthly payment remittances by email instead of physical mail.

As promised, five retirees who returned their enrollment forms by November 12 were randomly selected to win a box of See's Candies. Congratulations to Thomas K., David W., Kathy E., Gilberto A. and Theodore A. We hope you enjoyed the treats!

To the 800 retirees who signed up for the e-remittance program, thank you for helping KCERA go "paperless"!

To the remaining retirees who still receive paper remittances each month, please consider the e-remittance option. It's safe and convenient! To enroll, just complete and return the enrollment form.



[CLICK HERE
TO DOWNLOAD AN ENROLLMENT FORM](#)

UPCOMING EVENTS

Board of Retirement Meetings:

February 11
March 11
April 8

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.

FORM 1099-R COMING SOON

At the end of this month, you will receive a Form 1099-R from KCERA. This is an important tax document that provides information about federal and state income taxes withheld from your monthly KCERA benefit. Please keep this form with other important tax documents.

If you receive multiple KCERA benefits, you will receive multiple Form 1099-Rs. If your entire KCERA benefit is *not* subject to income tax, you will *not* receive a Form 1099-R.

Retiree News

How *Terminal Vacation* Works

After years in the workforce, many of you will have accrued hundreds of vacation hours. What will you do with that valuable accrual when you retire? Here are four options that you can choose individually or in combination.

One option is to take a lump-sum payout at retirement. It's nice to have that extra money. However, a significant percentage will be withheld for taxes, so please consult with your tax advisor in advance. Another option is to pay for the purchase of prior service using after-tax vacation funds. A third option is to roll over your vacation payout to a Deferred Compensation account on a pre-tax basis, subject to certain limits.

There is a fourth option: *terminal vacation*. Terminal vacation is popular among retiring members because it allows you to spend the final weeks or months of your career on paid vacation instead of working until

your retirement date. Running out your vacation until the day you retire has certain advantages:

- You will continue earning retirement service credit;
- You will continue earning vacation and sick leave accruals;
- You will continue on your employer's health insurance plan;
- You will continue to be paid your normal salary; and
- You will begin your retirement "early."

If you plan to go on terminal vacation, please submit your request to your department ahead of time. Also, submit a completed retirement packet to KCERA when your vacation begins.

If you plan to retire by April 1, 2015 to qualify for this year's cost-of-living adjustment, be sure to schedule your terminal vacation accordingly. For more information, contact KCERA at (661) 381-7700.

Did you know . . .

In 1945, the Board of Supervisors created a retirement association for county employees. It was aptly named the Kern County Employees' Retirement Association (KCERA). Unlike the state retirement plans (CalPERS and CalSTRS), KCERA is governed by the County Employees Retirement Law of 1937 ("1937 Act").

What's on Your Mind?

If you have a suggestion for a future edition of the *Retirement Chronicles*, email your thoughts to newsletter@kcera.org.

Contact KCERA

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