MCERA

3199 M St
Merced, CA 95348
Telephone: 725-3636
Fax: 725-3637
mcera@co.merced.ca.us
www.mcera.merced.ca.us

Maria Arevalo
Plan Administrator

Yadira Vazquez
Retirement Officer
YVazquez@co.merced.ca.us

Brenda Mojica
Benefits Specialist
Bmojica@co.merced.ca.us

Bren Horrocks
Benefits Specialist
DHorrocks@co.merced.ca.us

Mission Statement

- MCERA's mission is to provide benefits to its members, to manage assets prudently in accordance with plan provisions and to provide competent and efficient services to our members.

Board of Retirement

- MCERA administers your retirement benefits.
- MCERA is managed by a nine-member Board and two alternate members.
- Some of the Board's responsibilities include determining investment strategy and selecting investment advisors; selecting outside actuaries, reviewing and ruling on disability retirement claims.

Defined Benefit

- Life time benefit.
- Benefits determined on basis of formula NOT on individual's account balance.
- Social Security Benefits separate from MCERA's benefit.
- Must have at least 5 years of service to vest benefit.
- Must have 10 years of retirement service credit or if terminated before completing 10 years, contributions have to remain on deposit until you would have reached 10 years of retirement service credit had you remained as a full time employee for Tier 1-3. Tier 4 members can retire with 5 years of service.
- County pays 44.10% of payroll and members pay on average 8.87% of pay.

Plan Type

- Tier I: Hired before June 13, 1994 or County Level A Manager hired before 1/1/2013.
- Tier II: Hired between 6/14/1994 and 9/30/2012.
- Tier III: Hired between 10/1/2012 and 12/31/2012 as well as anyone hired after 1/1/2013 who establishes reciprocity (membership date with reciprocal system before 1/1/2013).
- Tier IV: Hired after 1/1/2013.
- Safety members: Law enforcement officers and probation officers.
- General/Miscellaneous members: Everyone else.

Tier I

- Minimum age to retire
  - Safety members: 50 years old with 10 years service, any age with 20 years of service or 70 years old regardless of years of service.
  - General members: 50 years old with 10 years of service, any age with 30 years of service or 70 years old regardless of years of service.
- Final Compensation
  - Highest 26 consecutive pay periods.
- Cost of living allowance each year, 3% maximum.

Tier II & III

- Minimum age to retire
  - Safety Members: 50 years old with 10 years of service, any age with 20 years of service or 70 years old regardless of years of service.
  - General members: 55 years old with 10 years of service or any age with 30 years of service or 70 years old regardless of years of service.
- Final Compensation
  - Highest 78 consecutive pay periods.
- **NO** cost of living allowance.

Tier IV

- Minimum age to retire
  - Safety Members: 50 years old with 5 years of service.
  - General members: 52 years old with 5 years of service.
- Final Compensation
  - Highest 78 consecutive pay periods.
- **NO** cost of living allowance.

Service Retirement

- Formula for benefit based on the following:
  - Age at retirement
  - Amount of service credit
  - Final Average Salary
  - Benefit formula is:
    - For every year of service you will receive a % of your final comp depending on your age.
      - % x FAC x Retirement Service Credit
    - 3% is maximum percentage for Tier I & II
      - 3% at 60 for miscellaneous
      - 3% at 60 for safety
    - Maximum percentage for Tier III & IV
      - 2.62% at 55 for safety and 2.43% at 57 for misc (Tier III)
      - 2.70% at 57 for safety & 2.5% at 67 for miscellaneous (Tier IV)

Age at Retirement

- You receive an incremental age adjustment, which slightly increases your benefit, for each quarter of a year increase in your age up to age
  - 50 (Safety) for Tier I & II, 55 for Tier III, and 57 for IV,
  - 60 (General Members) for Tier I & II, 65 for Tier III, and 67 for Tier IV.
  - Example: You are 59 and plan to retire this year, you may want to make sure that your effective date of retirement is the date you would turn 59, 59 ¼, 59 ½, etc.

Service Credit

- Based on actual hours worked. Overtime does **NOT** count towards retirement service credit.
- Redeposit of prior membership.
- Extra help/temporary county service bought.
- Leave of absences bought.
  - Military leave (if leave taken while at work with Merced County and return to work with Merced County within 1 year of separating Military service).
  - Medical Leave of absence (personal illness/injury).

Service Credit

- Public service purchase
  - Will **NOT** be included for vesting purposes; will **NOT** be used to determine eligibility to retire.
  - Add additional years of service when calculating benefit.
- Balance of any remaining sick leave time
  - Depending on bargaining unit and service time member is eligible to sell back a certain % of sick leave time at retirement the balance will be converted to years of service.
  - Non Management members have the option to convert 100% of sick leave time to years of service.
    - Depending on management level a % will need to be go into VEBA account.
  - Will not be used to determine eligibility to retire.

Final Average Salary (FAS)

- Highest 26 consecutive pay periods (Tier I).
- Highest 78 consecutive pay periods (Tier II, III, & IV).
- Loyalty Bonus.
- Up to 160 hours of vacation payoff will be applied towards final comp (Tier 1 – 3 only).
- Sick and vacation time sold back during PP25 (Tier 1 – 3 only).
  - Vacation during 25th pay period can only be sold by management.
- Depending on your Tier some special pay for example, uniform allowance, bilingual pay, confidential pay, etc.

Final Average Salary (FAS)

- <u>IMPORTANT NOTICE (1/1/2013):</u> Due to new state legislation and pending litigation regarding those new laws, some of the items described as "pensionable" in this presentation may not ultimately be included in the member's pension upon retirement. The outcome of that litigation, and therefore the legal status of those items, is unknown at this time.
- No changes required by AB197 have been implemented for Tier 1-3 pending Litigation due to Stay order that is in place until 60 days after final Court decision.

Retirement Options

- Unmodified
  - Gives you most at retirement and 60% continuance to your spouse or domestic partner (if there is no spouse or domestic partner there is no continuance).
    - Must be married or registered one year prior to retirement.
  - If not married and your beneficiary is not a minor child they will receive contributions left on deposit after subtracting the entire retirement benefit that was given to you throughout your retirement.
  - If your beneficiary is an unmarried minor child they will receive 60% continuance through the age of 21 (assuming they remain unmarried and full time students).

Retirement Options (cont.)

- Option 1
  - Reduced amount from unmodified.
  - Any person with an insurable interest in your life can be nominated as the beneficiary.
  - No continuance, but contrary to the unmodified where the entire allowance is reduced from your contributions we will only reduce the annuity and COLA portion of the benefit from contributions you put into the system.
  - Only option that allows you to change your beneficiary.

Retirement Options (cont.)

- Option 2
  - Reduced amount from unmodified.
  - Beneficiary does NOT have to be a spouse
    - Must have an insurable interest in your life
  - Upon your death beneficiary will receive 100% of your benefit for the rest of his/her life.
  - Your benefit is determined by beneficiary's age.
  - Cannot change your beneficiary under any circumstances.

Retirement Options (cont.)

- Option 3
  - Reduced amount from unmodified but greater than option 2.
  - Beneficiary does NOT have to be a spouse.
    - Must have an insurable interest in your life.
  - Upon your death beneficiary will receive 50% of your benefit for the rest of his/her life.
  - Your benefit is determined by beneficiary's age.
  - Cannot change your beneficiary under any circumstances.

Retirement Options (cont.)

- Option 4
  - Only option that allows for multiple. beneficiaries and member can specify % for each beneficiary.
    - Must have an insurable interest in your life.
  - Benefit is calculated by our actuary.
  - Benefit is determined by beneficiaries age.
  - Cannot change your beneficiary(ies) under any circumstances.

Lump Sum Death Benefit

- MCERA will pay a one time lump sum death benefit upon your death to your beneficiary of $3,000 if the last system you actively participated in was MCERA.
  - Outgoing reciprocal members will be paid by the last system they were actively employed with (if any benefits are available). Amounts vary depending on system.
- Anyone can be nominated for this benefit and the beneficiary can be changed.

Temporary (Added) Annuity for retirees under Age 62

- Temporary increase in retirement benefits based on estimated Social Security benefit for age 62 and age of retirement.
- May be applied to any option payment.
- Benefit paid to retiree increases retirement allowance to retiree while under age 62, with allowance reduced by estimated Social Security allowance on reaching age 62.

Temporary (Added) Annuity for retirees under Age 62 (Cont.)

- Special considerations:
  - Anticipates retiree will apply for and receive Social Security at age 62.
  - At age 62 retirement benefits will be permanently reduced by full amount of Social Security estimated benefit at retirement regardless of whether actually retiree is receiving Social Security or if the estimated amount Social Security provided was incorrect.
  - Because Social Security benefits are estimated, retirement reduction at 62 may be more or less than actual Social Security benefit.

Temporary (Added) Annuity for retirees under Age 62 (Cont.)

- Requires that retiree submit Social Security Estimate for age 62 to MCERA, to be used to determine factors for calculations of annuity advance and reduction of MCERA benefit.
- Temporary advance is from MCERA; there is no communication or link to Social Security benefits, and the two benefits are independent of each other.

Example #1

- Retiree Name: John Doe
  - DOB: 1-1-1950 -DOR: 1-1-2008 (58 at retirement)
  - Years of Service: 20 -Final Com: 5,000 -Type: Misc T-1
  - Beneficiary: Jane Doe -Relationship: Spouse

Retirement Options		
	John's Benefit	Jane's Continuance (58 Years Old)
Unmodified	$2,734.66	$1,640.80
Option 1	$2,724.61	$0.00
Option 2	$2,489.75	$2,489.75
**Option 2 $244.91 reduction when beneficiary is same age.		

Retirement Options		
	John's Benefit	Jane's Continuance (19 Years Old)
Unmodified	$2,734.66	$1,640.80
Option 1	$2,724.61	$0.00
Option 2	$2,270.88	$2,270.88
**Option 2 $463.78 reduction when beneficiary is 39 years younger.		

Example #2

- Retiree Name: John Doe
  - DOB: 1-1-1950 -DOR: 1-1-2008 (58 at retirement)
  - Years of Service: 20 -Final Com: 5,000 -Type: Misc T-1
  - Beneficiary: Jane Doe -Relationship: NON-Spouse

Retirement Options		
	John's Benefit	Jane's Continuance (58 Years Old)
Unmodified	$2,734.66	$0.00
Option 1	$2,724.61	$0.00
Option 2	$2,489.75	$2,489.75
Option 3	$2,606.47	$1,303.24
*Beneficiary same age *Option 2 $244.91 reduction; *Option 3 $128.19 reduction		

Retirement Options		
	John's Benefit	Jane's Continuance (19 Years Old)
Unmodified	$2,734.66	$0.00
Option 1	$2,724.61	$0.00
Option 2	$2,270.88	$2,270.88
Option 3	$2,481.28	$1,240.64
*Beneficiary same age *Option 2 $463.78 reduction; *Option 3 $253.38 reduction		

Example #3: Temporary Annuity Social Security Option

- Retiree Name: John Doe
  - DOB: 1-1-1950
  - DOR: 1-1-2008 (58 at retirement)
  - Years of Service: 20
  - Final Com: 5,000
  - Type: Misc T-1
  - Beneficiary: Jane Doe
  - Relationship: Spouse
  - Social Security Statement: $500

Retirement Options		
	John's Benefit	Jane's Continuance (58 Years Old)
Unmodified	$2,734.66	$1,640.80
With Social Security Option		
Before 62	$3,071.93	
After 62	$2,571.93	
Option 1	$2,724.61	$0.00
With Social Security Option		
Before 62	$3,061.88	
After 62	$2,561.88	
Option 2	$2,489.75	$2,489.75
With Social Security Option		
Before 62	$2,827.02	
After 62	$2,327.02	

Retirement Time Line (cont.)

- **One Year Prior**
  - Attend a brown bag meeting. Please contact MCERA for the next meeting's date.
  - Schedule an appointment with MCERA staff to attend a retirement counseling session.
  - Examine prospective effective dates for retirement.
  - Request a retirement estimate.
  - If you are contemplating marriage or domestic partner registration make sure you are married one year PRIOR to retirement (you must be married or registered one year prior to marriage for the unmodified option).

Retirement Time Line (cont.)

- **Two Months Prior**
  - Request an application packet (you will need to submit a copy of your birth certificate, beneficiary's birth certificate, and marriage certificate or domestic partnership registration).
  - Contact Risk Management for advice on how to lessen tax burden on payoff amounts and to discuss health and life insurance.
  - Make an appointment with MCERA staff to discuss any other questions.
- **Retirement**
  - Final paperwork is usually ready 2-4 weeks after your payoff amounts have been paid in your final paycheck.

Retirement Time Line (cont.)

- **Post Retirement**
  - Update your address or telephone as needed.
  - Update your tax withholding form as needed.
  - Update your survivor information if your beneficiary passes away.
  - Contact MCERA if you chose the temporary social security option and your allowance has not been reduced after age 62.
  - Contact MCERA if you return to work as a full time employee with any of our participating employers.

Frequently Asked Questions

- When will I receive my first retirement check?
  - We run payroll at the end of each month (payroll is cut off 5 business days prior to the end of the month) if you submit your final paper work prior to payroll cut off date you will receive a check that same month. If you submit it afterwards you will not receive a check until payroll is ran again (end of the next month).
    - Most retirees get a check 4-8 weeks after separating from County.

Frequently Asked Questions (cont.)

- Where can I get an estimate for my retirement?
  - Contact MCERA at 725-3636.
  - Download the request for an estimate form at www.mcera.merced.ca.us and submit it to 3199 M St Merced, Ca 95348.
  - Use the online calculator or worksheet located at: www.Mcera.merced.ca.us.

Frequently Asked Questions (cont.)

- What will happen to my benefit once my beneficiary dies?
  - If he/she dies after you the continuance (monthly benefit) portion of the benefit will stop.
    - If there is any contributions left on deposit they will be paid to the survivor.
  - If he/she dies before you there will be no continuance paid.
    - If there are any contributions left on deposit they will be paid to the survivor if the unmodified and option 1 are selected only.

Frequently Asked Questions (cont.)

- What is eligible to purchase for retirement service credit?
  - Leave of absences
    - Personal medical LOA.
    - Military LOA (if leave occurred while employed at Merced County and returned to Merced County within one year of separating Military Service).
  - Prior membership
    - Extra help/temporary service.
  - Redeposit any prior membership.
    - If you were previously employed with one or our participating employers and withdrew contributions you can redeposit the contributions.
  - Prior Public Service
    - Available only when BOS opens window.

Frequently Asked Questions (cont.)

- How can I maximize my retirement?
  - Several factors that might optimize your monthly retirement benefit:
    - Your birthday, or immediately following your birthday, or at any three-month interval after your birthday is a good time to retire because your age is counted in quarter-years for determination of benefits.
      - Tier I and II up to 60 for general members and 50 for safety members.
      - Tier III up to 65 for general members and 55 for safety members.
      - Tier IV up to age 67 for general members and 57 for safety members.
    - Annual cost of living increase, which is effective on April 1st of each year. If you plan to retire in the spring, you might want to choose a date no later than April 1st so that your retirement allowance includes any cost-of-living adjustment (Tier 1 members only).

Frequently Asked Questions (cont.)

- If you are a Tier I member and plan to retire within the next year selling any vacation or sick leave during the 25th pay period will increase your final average compensation. If you are a Tier II, III or IV member you should start selling vacation and sick leave hours three years before retirement.
- Accumulating vacation hours, up to 160 hours, prior to retirement. Remember that when retiring you will receive up to 160 hours of your vacation payoff amount applied towards your final compensation in addition to getting paid for it. This will increase your final average salary (Tier 1 – 3). Pending AB197 Litigation.

Frequently Asked Questions (cont.)

- Can I work after I retire?
  - If you wish to work for any of the MCERA participating employers after you retire, you cannot be paid for your work unless you are working in the following capacity:
    - In a position that requires special knowledge and skills that you have.
      - As an extra help employee the maximum hours allowed to work per fiscal year are 960 hours.
      - If you retire before the normal age of retirement (age 50 for safety and 60 for general/misc members) you have to wait 60 days before you can return to work and there CANNOT be a predisposed agreement.
      - AB340 requires a break in service of 6 months before a retiree can return to work for an existing MCERA employer unless certain requirement are met.

Frequently Asked Questions (cont.)

  - As a juror.
  - As an election officer.
  - As a field deputy for registration of voters.
  - As a member of the Board of Retirement.
  - As an independent contractor.
- You can work anywhere that is not an MCERA participating employer and it will not affect your county retirement, whether it is full time or part time employment.

Frequently Asked Questions (cont.)

- What is the maximum COLA I can receive?
  - Only Tier I members receive COLA increases every 1st of April (reflected in April's 30th payment).
  - Maximum that can be applied to your retirement is 3%.
  - Anything over 3% is 'banked' (carried over) which means whenever COLA falls below 3% the banked COLA will be applied to your retirement (not to exceed 3%).

Frequently Asked Questions (cont.)

- What are my options if I terminate and not eligible for retirement?
  - Withdraw Retirement Contribution - Vested member waives any future benefits. Taking a payment of your contributions MCERA requires a Federal tax withholding of 20%, & optional State Tax to be withheld from gross.
  - Deferred Retirement - leaving your contributions and interest on deposit with MCERA, to retire at a later date.
    - Vested – Misc Tier 1 (Age 50) Misc Tier 2 & 3 (Age 55) Misc Tier 4 (Age 52) Safety (Age 50)).
  - IRA Rollover - withdrawing your contributions and interest credited rolled over directly to an IRA or a new employer's plan.
  - Establish Reciprocity – With another 1937 Act County or PERS agency
  - Leaving Contributions on Deposit – Non Vested – Less than 5 years, may withdraw at anytime, or wait until age 70 to receive a retirement benefit.

Frequently Asked Questions (cont.)

- What is Reciprocity?
  - Reciprocity is an agreement between two public retirement systems that allows eligible members to move from one employer to another (during a six-month period) without any loss of credited service or vesting years.
- What are the benefits of establishing reciprocity?
  - Earliest entry age used for contributions rates.
  - Highest salary from either system will be used for Final Compensation.
  - Combined years of service determine eligibility for retirement and vesting.

Frequently Asked Questions (cont.)

- What are the requirements for reciprocity?
  - Transfers must be within 6 months.
  - Leave contributions on deposit.
  - Retire from all agencies on same date.
    - Unless section 31835.1 applies (allows for different dates of retirement only if you **cannot** retire from system on same date due to age or years of service).
    - You will need to contact each agency separately when you get ready to retire.

Questions?