

MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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SERVICE RETIREMENT

Retirement directly from active service with a participating employer is called a service retirement. Your eligibility for retirement depends on your age, your years of service credit and your plan.

When will I be eligible for a service retirement?

Tier I General Plan members are eligible to retire when:

- You are age 50 and have 10 years of eligible service credit.
- You have 30 years or more of eligible service credit, regardless of your age.
- You have reached age 70, regardless of how many years of service you have.

Tier II General Plan members are eligible to retire when:

- You are age 55 and have 10 years of eligible service credit.
- You have 30 years or more of eligible service credit, regardless of your age.
- You have reached age 70, regardless of how many years of service you have.

Tier I and II Safety Plan members are eligible to retire when:

- You are age 50 and have 10 years of eligible service credit.
- You have 20 years or more of eligible service credit, regardless of your age.
- You have reached age 70, regardless of how many years of service you have.

What determines my benefit amount?

Your retirement benefit is a defined benefit which is based on a formula not on your account balance. The following factors determine your benefit amount:

- **Age**-you will receive a percent of your final compensation for every year of service credit. You will receive an incremental increase for every quarter of an age increase in your birth year not to exceed 3%, which is reached at age 60 for general members and age 50 for safety members.
- **Years of Service**-any and all service credit will be used to determine your benefit amount including, sick leave balance (only if you retire directly from an MCERA

participating employer (excluding Merced Cemetery district), LOA's purchase's, redeposits, purchase of prior ineligible service time, and prior public service purchase. Please note that prior public service purchase and the balance of your sick leave hours will not be used to determine eligibility for retirement. Overtime will not count towards service credit.

- **Final Compensation**-your highest 26 consecutive pay periods (Tier I) or highest 78 consecutive pay periods (Tier II), loyalty bonus, up to 160 hours of your vacation payoff amount, and some differential pay or allowances (please check with your payroll clerk for information regarding if your allowance is subject to retirement).

How do I optimize my retirement?

There are 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 (up to 60 for general members and 50 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).
- 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 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.

What are my retirement options?

Unmodified Option: This offers you the maximum benefit for your lifetime. If you designate your eligible spouse or domestic partner, he/she will receive a lifetime monthly continuance of 60% (100% if service connected disability) of the amount you were receiving for the rest of his/her life. For your spouse to be considered eligible, he/she must have been married to you for at least one year prior to the time you retired. A domestic partner is eligible if he/she was lawfully registered with you in a domestic partnership one year prior to your retirement. If you designate your unmarried minor children, they will receive a monthly continuance of 60% (100% if service connected disability) of the amount you were receiving until they marry or reach age 18, whichever comes first. Children are also considered eligible up to the age of 22 if they remain unmarried and are enrolled as full-time students in an accredited school. If more than one child is designated as your beneficiary, then the benefit will be divided among them.

If you are not married, registered or have any unmarried minor children your beneficiary will

NOT receive a continuance. Your beneficiary will only receive any unused contributions that remain on deposit after reducing the entire retirement benefit amount that was given to you throughout your retirement from your contributions (if any remain). Usually members deplete their contributions within two years of retiring with this option.

Note: Married members and domestic partners generally consider the unmodified allowance the best payment option because the other options reduce the benefit payable to you in exchange for allowing the designation of someone other than your spouse or domestic partner as beneficiary.

Option 1: This offers you a reduced allowance for your lifetime. Your beneficiary does not have to be a spouse or domestic partner, but he/she must have an insurable interest in your life (please refer to the “Definition of Terms” section for further explanation). Please note that under California community property law, retiree’s spouse or state registered domestic partner may have certain rights over any designated beneficiary.

Your beneficiary will receive a lump-sum of your unused contributions (if any remain in your account). With this option your contributions are usually exhausted during the first seven years of retirement. Your contributions deplete at a slower rate than the unmodified option. This is the ONLY option that allows you to change your beneficiary after retirement.

Note: A member who wants a beneficiary to receive a lump-sum benefit generally prefers this option, or a member who requires flexibility in the selection of a beneficiary. Also, members who are in poor health might want to ensure that their beneficiary receives as much benefit as possible because they will not be drawing on the benefit for long and anticipate remaining undistributed contributions.

Option 2: This offers you a reduced allowance for your lifetime. This particular reduction depends on your age and the age of the beneficiary you designate. Your beneficiary does not have to be a spouse or domestic partner, but he/she must have an insurable interest in your life (please refer to the “Definition of Terms” section for further explanation). Please note that under California community property law, retiree’s spouse or state registered domestic partner may have certain rights over any designated beneficiary.

You may not change your beneficiary after you retire. Your beneficiary will receive a lifetime continuance of 100% of the (reduced) amount you were receiving. When your beneficiary dies, payments stop and no further benefits will be paid. If your beneficiary predeceases you there will be no continuance to your new survivor nor will your monthly allowance increase.

Note: A member who wants to leave a beneficiary the greatest possible amount of money might prefer this option.

Option 3: This offers you a reduced benefit for your lifetime. The reduction depends on your age and the age of the beneficiary you designate. Your beneficiary does not have to

be a spouse or domestic partner, but he/she must have an insurable interest in your life (please refer to the “Definition of Terms” section for further explanation). Please note that under California community property law, retiree’s spouse or state registered domestic partner may have certain rights over any designated beneficiary.

You may not change your beneficiary after you retire. Your beneficiary will receive a lifetime continuance of 50% of the (reduced) amount you were receiving. When your beneficiary dies, payments stop and no further benefits will be paid. If your beneficiary predeceases you there will be no continuance to your new survivor nor will your monthly allowance increase.

Note: A member who wants to minimize the reduction of his or her benefit but still wants to provide a lifetime benefit to a beneficiary might find this option preferable.

Option 4: This offers you a reduced benefit for your lifetime. The reduction depends on your age and the age of your beneficiary(ies). This is the ONLY option that allows for multiple beneficiaries. Your beneficiary does not have to be a spouse or domestic partner, but he/she must have an insurable interest in your life (please refer to the “Definition of Terms” section for further explanation). Please note that under California community property law, retiree’s spouse or state registered domestic partner may have certain rights over any designated beneficiary.

You may not change your beneficiary after you retire. This option allows member to assign the percent of continuance to each beneficiary. This option cannot be calculated by MCERA staff therefore this option and any estimates for this option will need to be calculated by the actuary. The costs for this calculation will need to be paid by the member please contact our office for current cost of calculating option 4. When your beneficiary (ies) dies, payments stop and no further benefits will be paid. If your beneficiary (ies) predeceases you there will be no continuance to your new survivor nor will your monthly allowance increase.

Note: A member who has a current spouse and an ex-spouse and per court order must nominate an ex-spouse as one of the beneficiary’s or provide the ex-spouse with a lifetime benefit must choose this option. If a person wishes to nominate more than one beneficiary for a lifetime benefit must choose this option as well.

Can I change my mind after I have signed an option?

You may change your selected option up until the time your first retirement benefit is issued. After that time, your option selection is irrevocable. Please be advised that if you make a change and do not allow sufficient time for recalculation of your payments, your first payment may be delayed.

When will I receive my final options?

Options are usually mailed to your home address 2-4 weeks after your payoff amounts have been paid in your final paycheck. If you have established reciprocity it usually takes longer because your wage verification information needs to be submitted to MCERA from the other system before we can complete your options.

When will I receive my first retirement payment?

You usually receive your first retirement payment 4-8 weeks after your retirement date, although it could take longer if you have established reciprocity. Your first retirement check may be slightly higher than your actual retirement benefit as it usually includes any partial payments from the previous month.

How often will I get paid?

Retirement benefits are paid once a month on the last working day of the month.

Can I change my beneficiary?

Option number 1 is the only option that allows you to change your beneficiary after retirement. If you have selected Options No. 2, 3, or 4 you may **not** change your beneficiary at anytime. For those options, the amount of your retirement allowance is set according to both your age and the age of the beneficiary you select at retirement.

What happens to my benefit if my beneficiary dies before I do?

Your new survivor will only receive contributions that are left on deposit (if any and if you selected the Unmodified or Option 1) and the one time lump sum death benefit payment (if applicable). He/she will **NOT** receive a continuance, nor will your benefit increase.

What types of deductions are taken from my retirement check?

- **Taxes:** They are optional but if you choose not to have any taxes withheld you may be liable at the end of the year. You will need to contact your tax advisor for more information.
- **Health, Dental, Life Insurance premiums:** You have the option to have your health care, dental and life insurance premiums deducted from your retirement payment. Please contact risk management at 209-385-7356 for more information.
- **Vision Insurance:** You have the option to have your vision insurance premiums deducted from your retirement payment. Please contact VSP at 800-400-4569.
- **MERCO:** You may choose to have a portion of your retirement check deposited into a MERCO account.
- **REMCO:** Retired Employees of Merced County, membership is optional but dues may be deducted from your retirement payment.