CFA Retirement Webinar 3/13/23 & 3/14/23

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California Faculty Association

Webinar Logistics

1. This webinar is being recorded
2. Chat is disabled but please use the Q&A to ask questions
3. This Powerpoint as well as a recording of this webinar will be posted on the Retired Faculty Committee webpage: www.calfac.org/retired-faculty-committee; also a retitement FAQ
4. Texting me is more effective than emailing: 408-398-9449

California Faculty Association

Webinar Logistics

Please be sure to fill out the bargaining survey! The deadline is April 7th.

https://surveymonkey.com/r/CFABargainingSurvey23

Webinar Poll Questions

6 questions

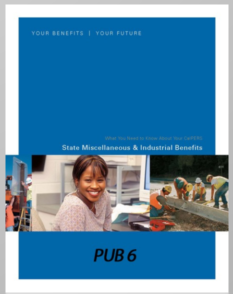
AGENDA:

1. Introduction & genesis of this workshop
2. 6 short polls (incl. FERP and PRTB)
3. Health benefits & lifetime benefits
4. Medicare
5. Social Security
6. The 3 CalPERS tiers and the 3 components
7. Purchasing Service Credit
8. The virtue of sick leave
9. Beneficiaries vs. Survivors
10. The 7 different retirement options
11. The PERS COLA, PPPA, and Reciprocity with STRS/UC
12. Why you should become a retired CFA member
13. Questions from attendees

Changes to earliest age to FERP:
(Beyond CFA or CSU control)

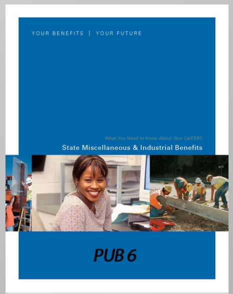
- CBA Article 29.1 may need to be modified
- IRS rules state that CalPERS can retain its nonprofit status if rehired annuitants retire at their “normal” age” defined as 2%
- Due to the 2010 and 2012 PEPRAs, only those in 2%@55 Classic Tier can FERP as young as 55 years of age
- Those in Tier 2 (2%@60) have to be 60 to FERP
- Those in Tier 3 (2%@62) have to be 62 to FERP
- And there is absolutely nothing CFA or the CSU can do

  about this, as it is completely out of scope; an IRS rule.



A possible alternative to FERP:
Pre-retirement Reduction of Time Base PRTB

- CBA Article 30
- Must be 55, **<u>but must be under 65</u>** to apply; also: at least 10 year FT and the last 5 must be continuous FT work.(30.3)
- Up to 5 years, can reduce time base to: 2/3, ½, or 1/3 with commensurate reduction in pay but NO REDUCTION IN CalPERS SERVICE CREDIT EARNED! PRTB for 5 years at any of the reduced time bases earns 5 full years of SC and hence, another 12.5% of your FTBS at retirement.
- Can still FERP after PRTB, but limited to no more than 50% of time base in last fiscal year before retirement. So if at 50% in PRTB, can FERP for up to 5 years at 25% time base.



Take Advantage of The Experts

www.calpers.ca.gov

(888) 225-7377 (Hours are Monday – Friday: 8AM-5PM)

Go to the website to get a list of regional offices in order to meet with a **CalPERS** staffer in person.

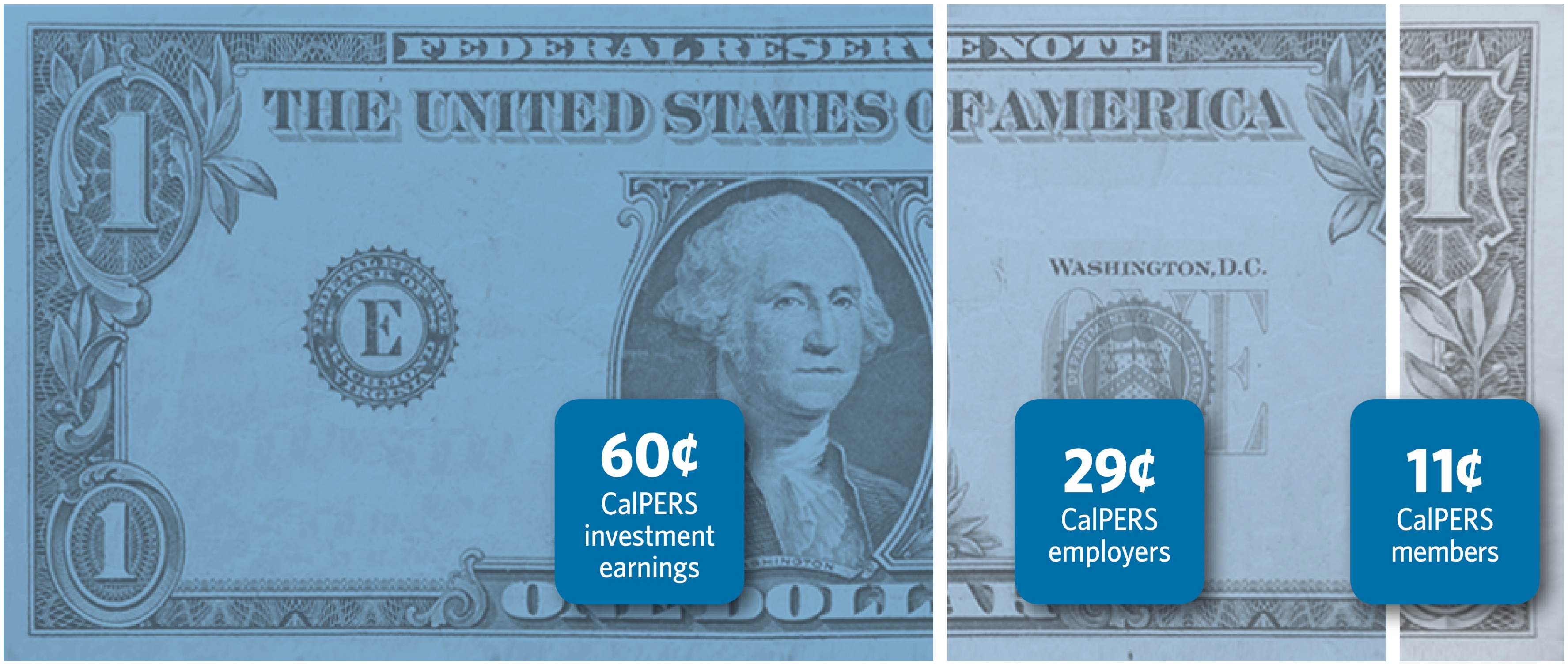
See: Pub.1, p. 33; Pub. 6, p. 41; Pub. 12, p. 33; Pub. 43, p. 46

Comparison: 100/90 to 80/80 plans: Us vs. 70% other state bargaining units while working, (30% have 80/70); all have the 100/90 in retirement

- 2023 Single party 100/90: $883 subsidized
- Single party 80/80: $689 subsidized ($194/mo. pay cut)
- 2023 2-party 100/90: $1,699 subsidized
- 2-party 80/80: $1,386 subsidized ($313/mo. pay cut)
- 2023 Family 100/90: $2,124 subsidized
- Family 80/80: $1,784 subsidized ($340/mo. pay cut)

Mean annual PERS pension = $36.8K!

<u>Median</u> CalPERS pension = $19K!



Flex Cash:

Flex Cash Option:

- **$140/month** (medical $128 and dental $12) **Note**: $12 for giving up Delta Dental Enhanced isn't worth it, as you can "double-dip" both dental benefits if you are enrolled in both. This isn't possible for medical benefits.

- Available for those who qualify for benefits but do not use them due to other non-CSU coverage. Conditions apply.

- To enroll/get more info:

http://www.calstate.edu/Benefits/flexible/flexible.page.shtml

General Information:

Lifetime health and dental benefits (1)

<u>For lifetime health and dental benefits after retirement:</u>

1. You must be vested and be eligible for benefits at retirement: 50 or 52, depending).
2. You must choose a retirement date **no more than 120 days** later than your separation date, and **ideally no more than 30 days** later, otherwise you lose the abilty to retain your healthcare into retirement.

If hired after 1989, some **CalPERS** phone staff think we need 25 years for full health vesting; we don't!

We are the **only** state system that receives **100%** state coverage of health and dental premiums after retirement with only 5 – or 10 - years of service* All other units need 25 years. This is because we are the only ones who don't receive annual step increases of 4.8% that we don't have to bargain, unlike the other state bargaining units.

* Up to the CSU subsidized limit; whether you pay a small monthly premium after retirement is based on your plan (i.e., whether you currently pay an increment above the subsidy level)

NEWS THURSDAY, OCTOBER 16, 2008

Spiraling premiums far outpace pay raises

By Suzanne Bohan
Bay Area News Group

Health care premiums soared five times faster than increases in salaries in California from 2000 to 2007, according to a report released Wednesday.

And there's no end in sight for this growing disparity between income and health care costs, creating the prospect of "diminishing economic and health security" for many Californians, added the report, released by Families USA, a national nonpartisan group based in Washington, D.C.

But the grim trend of health care costs carving deeper into incomes, or of health insurance falling out of reach for more adults, carries a potentially bright upside, Anthony Wright, executive director of Health Access California, said during a Wednesday news conference.

The situation is so dire, he said, that it all but compels genuine health care reform in the coming years.

"That's why I'm excited, even with this grim news," Wright said. "There's so much potential at the state and the national level for real health care reform."

And with both presidential candidates proposing major restructuring in how Americans access health insurance, it's statistics like this that provide grist for the mill, Wright said.

"Part of the reason this data forces systemwide reform is because these are the only reforms that are going to make a difference," Wright added.

And Congress is ready again to tackle the issue, said Rep. Lois Capps, D-Santa Barbara, who joined the news conference. Capps, a former public health nurse, is an outspoken supporter of health care reform.

"More members will tackle this as their No. 1 issue," Capps said. "We want to make sure we reform our system before it gets any worse."

The report, "Premiums Versus Paychecks," analyzed data from the U.S. Census Bureau, the Department of Labor and the Department of Health and Human Services.

It found that from 2000 to 2007, health care premiums increased 95.8 percent for employer-based group coverage, from an average of $6,227 annually per worker to $12,194 annually.

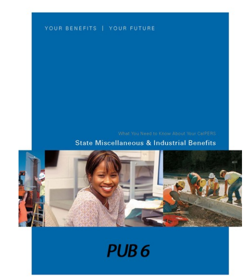
While employers still paid the bulk of the premiums, during those years employees' share rose by more than 110 percent, from an average of $1,544 annually for family coverage in 2000, to $3,256 in 2007.

And in comparison with the spike in premium increases, median earnings for California workers increased by 19 percent, from $25,740 annually to $30,702.

Moreover, workers aren't only shouldering a greater burden in paying for health care premiums, but they're also paying a higher share of health care services, due to higher deductibles and co-payments, or reduced maximum allowable benefits.

In all, nearly 51 million U.S. adults under age 65 are expected to spend more than 10 percent of their pretax income on health care bills this year, estimated the Families USA report.

"The net result is people are paying more and more, and receiving less and less," said Ron Pollack, executive director of Families USA.



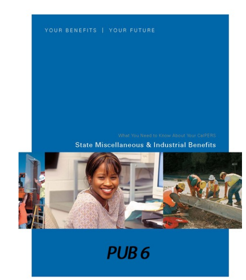
General Information:

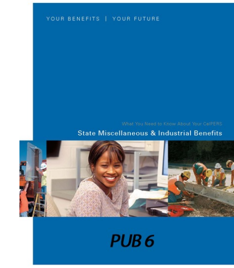
Lifetime health and dental benefits (2)

For lifetime health and dental benefits after retirement:

If you’re a Lecturer and you don’t have 5 years of CalPERS service credit when you lose your employment in the CSU:

Government Code 20970:
As long as you had 5 academic years of consecutive service, CalPERS will use your accumulated sick leave to see if it provides enough service credit to help you become fully vested.





Delta Dental:

We shift to subsidized Delta Basic in retirement

- We can now enroll in Delta Enhanced (PPO/Premium) in retirement but at our cost:

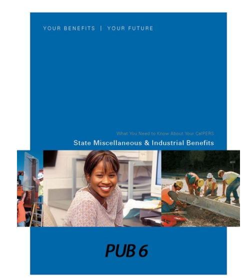
- $**15.70/month**. $50 deductible per year, $2000 maximum benefits/year. Crowns/implants at 80%, prophylaxis: 100% ($29.30 for 1 dependent, $53.84 for family)

- Delta Basic: $1500 maximum yearly benefit and only covers crowns/implants at 50%, prophylaxis at75%.
- Delta HMO: $6.49/month but doesn't cover implants.
- (For +1 and family costs, please see the Retirement FAQ)
- www.csuretirees.calstate.edu (800-626-3108)

VSP Vision Coverage

not subsidized in retirement except for .5 FERP

- ❑ We lose our subsidized vision coverage because this isn't a **CalPERS** benefit; it's an employer provided benefit. We are now eligible to enroll in the state retiree vision program that is being offered through the Vision Service Program (VSP). To get coverage for ourselves and eligible dependants, but at our cost (monthly premium is now even lower:
- ❑ 2009: $9.19; now $5.10 for retiree only
- ❑ 2009: 16.48; now $9.31 for retiree and one dependent
- ❑ 2009: $17.53; now $9.98 for retiree and family)
- ❑ (See Pub. 6, pg. 22 for details)
- ❑ NOTE: you retain VSP coverage during FERP as long as it's 50% time
- ❑ NOTE: Other state employees don't have this option!



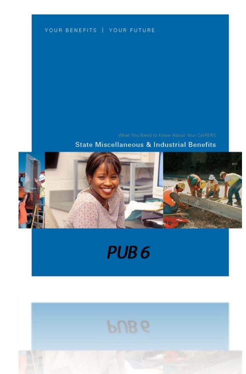
VSP Premier:
Expanded Optical Benefits for additional cost

New: VSP Premier with expanded coverage

Still employed: https://www.csuactives.vspforme.com
Call: 800-866-7195
Sign up during open enrollment

Retired: https://www.vsp.com/go/csuretirees
Call VSP at (800)-400-4569

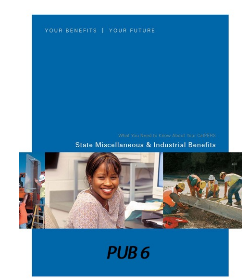
Retired Member only: $14.83/month (total, includes cost of VSP basic)
One dependent: $27.63/month
Family (2+ dependents): $29.64/month
NOTE: if member opts for VSP-Premier, all dependents have to as well.



2023 MEDICARE PART B PREMIUMS

per modified adjusted gross income from tax return in 2021

2021 reported MAGI	Joint filing	Married but file singly	2023 Medicare-B premium/mo
$97K or less	$194K or less	$97K or less	$164.90
Above $97K to $123K	Above $194K to $246K	Not Applicable	$230.80
Above $123K to $153K	Above $246K to $306K	Not Applicable	$329.70
Above $153K to $183K	Above $306K to $366K	Not Applicable	$428.60
Above $183K but less than $500K	Above $366K but less than $750K	Above $91K but less than $409K	$527.50
$500K & above	$750K & above	$409K & above	$560.50



Retiring from Social Security: Determining your Normal/Full SS age

If you were born:	Your Full Retirement Age is:
1943-1954:	66 years
1955:	66 years, 2 months
1956:	66 years, 4 months
1957:	66 years, 6 months
1958:	66 years, 8 months
1959:	66 years, 10 months
1960 or later:	67 years

Retiring from Social Security: Independent from your CalPERS pension

- The earliest age to retire from Social Security is 62

- If you retire at your "Normal"/full retirement age, wages earned after drawing SS benefits will not be deducted from your social security check

- Retiring no more than 3 years before your full retirement age reduces your social security check by 6.67% per year early.

- Retiring more than 36 months earlier than your full age, reduces your social security check by an additional 5%/year.

- For each year above your full retirement age you retire from social security, your check is increased by 8% up until the maximum SS retirement age of 70.

Retiring from Social Security: Deciding when to begin drawing benefits

- First, Social Security is designed to be solvent
- Even before Congress repays the SS money that was "borrowed", full benefits will currently last until 2034
- Like our CalPERS pensions, it is indexed to normal inflation, which makes it more valuable than a 401K
- The break even point was set up in the 1970's, and hasn't been changed; it is still 77.5 years of age, but we are now living longer:
- Currently, a 65 y.o. man is expected to live to 87 and a 65 y.o. woman is expected to live to 91
- This means that if one retires from SS at the maximum benefit age of 70, if you live beyond 77.5 years, you receive more money over the course of your life than if you began drawing reduced benefits at 62.
- Obviously, if one dies before 77.5 then the breakeven point is at a younger age

Save the Date!

Friday
March 17, 2023
Bakersfield, CA

National Day of Action

to Protect, Improve, and Expand Medicare, Medicaid, and Social Security

Rally at Congressman McCarthy's Office

CONGRESSMAN MCCARTHY is the Speaker of the House, responsible for moving the Republican agenda forward in the House. He is a well-known supporter of privatization and reducing spending on Medicare, Medicaid, and Social Security.

12:30 pm
Meet at Yokuts Park
4200 Empire Dr., Bakersfield

2:00 pm
Rally and demonstration at
Congressman McCarthy's office
4100 Empire Dr., Suite 150

Free bus transportation - see reverse for locations & contacts
Reserve online (link) or call the contact for your location.

Buses are free (donations appreciated). Snacks, water, and lunch will be provided. COVID protocols will be observed - masks required on the bus. The event is outdoors.

20 YEARS STRONG
California Alliance for Retired Americans
Building Senior Power

Can't Attend?
Watch the event on Facebook: facebook.com/CaliforniaARA

Donate

californiaalliance.org/

How to get free bus ride

- NOTE: all busses are full except for the following:
- San Rafael/Marin: 7:30am at Smith Ranch Rd. Park & Ride
- Richmond/Contra Costa: 8am at Target@42nd & MacDonald
- Sonoma/Santa Rosa: 6:30am at Park & Ride in front of Fairgrounds Brookwood and Hwy 12
- Contact Jodi Reid: jreid.cara@gmail.com/415-515-2156

- Otherwise, drive yourself & meet at Yokuts Park 4200 Empire Dr. Bakersfield by 12:30pm; Rally one block away at McCarthy's office at 2pm. Free lunch!

The salary component of your CalPERS pension: (A): your highest FT base salary

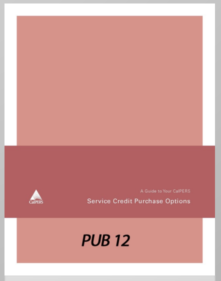
- Tier 1 (Classic): Any 12-month average of your highest full-time base salary
- CalPERS member post-1/15/11: Any 36-month average of highest FT base
- Not calendar year or fiscal year or academic year; any 12 or 36-month period, depending on membership date
- As of 12/14 they now <u>compute</u> your highest FT base salary
- SS offset: $133.33 deducted from highest FTBS before they multiply it times your service credit and benefit factor

Three factors that determine your lifetime pension (B): your years of SC

Your number of years of service credit

1. We earn 1 yr. of service credit for full-time work in 1st 10 months during the fiscal year July 1st through June 30th (Pub 12, pg. 3).

2. Appointments less than .83 (12.45 WTUs) earn service credit on a ~pro-rata basis.

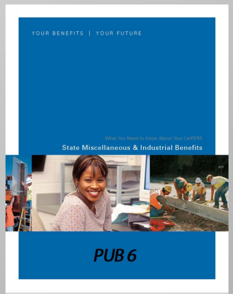


Three factors that determine your lifetime pension: (C): age at retirement

Your benefit factor: The percentage of pay to which you are entitled for each year of service credit; this is tied to your age at retirement

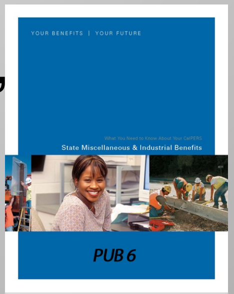
Lowest at age 50 (tier 1 or 2) or 52 (tier 3)

Highest at age 63(tier 1 or 2) or 67 (tier 3)



Three factors that determine your lifetime pension: Now: 3 Tiers

- PERS member before S'11: Earliest age = 50, (2% at age 55), topping out at 2.5% at 63 years old. (see Pub. 6, pg. 30)
- Member S'11-F'12: Earliest age = 50,(2% at age 60), topping out at 2.418% at 63 years old. (see Pub. 6, pg. 32)
- Member after 1/1/13: Earliest age = **52**,(2% at 62), topping out at 2.5% at 67 years old. (see Pub. 6, pg. 34)



CalPERS Benefit Factors Classic Tier (see page 30 in Pub. 6 - dark blue)

2 percent @ 55

BENEFIT FACTORS

The chart below shows how the benefit factor increases for each quarter year of age from 50 to 63.

Age	Exact Year	¼ Year	½ Year	¾ Year
50	1.100%	1.146%	1.190%	1.236%
51	1.280%	1.326%	1.370%	1.416%
52	1.460%	1.506%	1.550%	1.596%
53	1.640%	1.686%	1.730%	1.776%
54	1.820%	1.866%	1.910%	1.956%
55	2.000%	2.016%	2.032%	2.048%
56	2.064%	2.080%	2.096%	2.110%
57	2.126%	2.142%	2.158%	2.172%
58	2.188%	2.204%	2.220%	2.236%
59	2.250%	2.268%	2.282%	2.298%
60	2.314%	2.330%	2.346%	2.360%
61	2.376%	2.392%	2.406%	2.422%
62	2.438%	2.454%	2.470%	2.486%
63 or older	2.500%	—	—	—

CalPERS Benefit Factors/ Years of Service Classic Tier 2%@55 (See page 31 in Pub. 6)

PERCENTAGE OF FINAL COMPENSATION

2 percent @ 55

Age	50	51	52	53	54	55	56	57	58	59	60	61	62	63+
Benefit Factor	1.100	1.280	1.460	1.640	1.820	2.000	2.064	2.126	2.188	2.250	2.314	2.376	2.438	2.500
Years of Service	Percentage of Final Compensation													
5	5.50	6.40	7.30	8.20	9.10	10.00	10.32	10.63	10.94	11.25	11.57	11.88	12.19	12.50
6	6.60	7.68	8.76	9.84	10.92	12.00	12.38	12.76	13.13	13.50	13.88	14.26	14.63	15.00
7	7.70	8.96	10.22	11.48	12.74	14.00	14.45	14.88	15.32	15.75	16.20	16.63	17.07	17.50
8	8.80	10.24	11.68	13.12	14.56	16.00	16.51	17.01	17.50	18.00	18.51	19.01	19.50	20.00
9	9.90	11.52	13.14	14.76	16.38	18.00	18.58	19.13	19.69	20.25	20.83	21.38	21.94	22.50
10	11.00	12.80	14.60	16.40	18.20	20.00	20.64	21.26	21.88	22.50	23.14	23.76	24.38	25.00
11	12.10	14.08	16.06	18.04	20.02	22.00	22.70	23.39	24.07	24.75	25.45	26.14	26.82	27.50
12	13.20	15.36	17.52	19.68	21.84	24.00	24.77	25.51	26.26	27.00	27.77	28.51	29.26	30.00
13	14.30	16.64	18.98	21.32	23.66	26.00	26.83	27.64	28.44	29.25	30.08	30.89	31.69	32.50
14	15.40	17.92	20.44	22.96	25.48	28.00	28.90	29.76	30.63	31.50	32.40	33.26	34.13	35.00
15	16.50	19.20	21.90	24.60	27.30	30.00	30.96	31.89	32.82	33.75	34.71	35.64	36.57	37.50
16	17.60	20.48	23.36	26.24	29.12	32.00	33.02	34.02	35.01	36.00	37.02	38.02	39.01	40.00
17	18.70	21.76	24.82	27.88	30.94	34.00	35.09	36.14	37.20	38.25	39.34	40.39	41.45	42.50
18	19.80	23.04	26.28	29.52	32.76	36.00	37.15	38.27	39.38	40.50	41.65	42.77	43.88	45.00
19	20.90	24.32	27.74	31.16	34.58	38.00	39.22	40.39	41.57	42.75	43.97	45.14	46.32	47.50
20	22.00	25.60	29.20	32.80	36.40	40.00	41.28	42.52	43.76	45.00	46.28	47.52	48.76	50.00
21	23.10	26.88	30.66	34.44	38.22	42.00	43.34	44.65	45.95	47.25	48.59	49.90	51.20	52.50
22	24.20	28.16	32.12	36.08	40.04	44.00	45.41	46.77	48.14	49.50	50.91	52.27	53.64	55.00
23	25.30	29.44	33.58	37.72	41.86	46.00	47.47	48.90	50.32	51.75	53.22	54.65	56.07	57.50
24	26.40	30.72	35.04	39.36	43.68	48.00	49.54	51.02	52.51	54.00	55.54	57.02	58.51	60.00
25	27.50	32.00	36.50	41.00	45.50	50.00	51.60	53.15	54.70	56.25	57.85	59.40	60.95	62.50
26	28.60	33.28	37.96	42.64	47.32	52.00	53.66	55.28	56.89	58.50	60.16	61.78	63.39	65.00
27	29.70	34.56	39.42	44.28	49.14	54.00	55.73	57.40	59.08	60.75	62.48	64.15	65.83	67.50
28	30.80	35.84	40.88	45.92	50.96	56.00	57.79	59.53	61.26	63.00	64.79	66.53	68.26	70.00
29	31.90	37.12	42.34	47.56	52.78	58.00	59.86	61.65	63.45	65.25	67.11	68.90	70.70	72.50
30	33.00	38.40	43.80	49.20	54.60	60.00	61.92	63.78	65.64	67.50	69.42	71.28	73.14	75.00
31	34.10	39.68	45.26	50.84	56.42	62.00	63.98	65.91	67.83	69.75	71.73	73.66	75.58	77.50
32	35.20	40.96	46.72	52.48	58.24	64.00	66.05	68.03	70.02	72.00	74.05	76.03	78.02	80.00
33	36.30	42.24	48.18	54.12	60.06	66.00	68.11	70.16	72.20	74.25	76.36	78.41	80.45	82.50
34	—	43.52	49.64	55.76	61.88	68.00	70.18	72.28	74.39	76.50	78.68	80.78	82.89	85.00
35	—	—	51.10	57.40	63.70	70.00	72.24	74.41	76.58	78.75	80.99	83.16	85.33	87.50
36	—	—	—	59.04	65.52	72.00	74.30	76.54	78.77	81.00	83.30	85.54	87.77	90.00
37	—	—	—	—	67.34	74.00	76.37	78.66	80.96	83.25	85.62	87.91	90.21	92.50
38	—	—	—	—	—	76.00	78.43	80.79	83.14	85.50	87.93	90.29	92.64	95.00
39	—	—	—	—	—	—	80.49	82.91	85.33	87.75	90.25	92.66	95.08	97.50
40	—	—	—	—	—	—	—	85.04	87.52	90.00	92.56	95.04	97.52	100.0

Examples of pension:
Tier 1: Retiring at age 63 (with the unmodified option)

<u>Examples at $5000/mo. highest base salary:</u>

a. **10 years** x $5000 x 2.5% = $1250/month for life (25% of HBS)

b. **15 years** x $5000 x 2.5% = $1875/month for life (37.5% of HBS)

c. **20 years** x $5000 x 2.5% = $2500/month for life (50% of HBS)

d. **30 years** x $5000 x 2.5% = $3750/month for life (75% of HBS)

e. At **40 years** of service credit your monthly lifetime pension is 100% of your highest base salary ($5000/mo.) with the unmodified option.

f. Each additional year of service credit boosts your pension by 2.5% at age 63+

A 3-Factor equation:

A (highest base) x B (benefit factor) x C (yrs of SC) = your pension:

Highest 12 or 36-month FT base salary X Years of Service Credit X the Benefit Factor tied to your age at retirement = your monthly pension.

Increasing any of of the the three components will increase your pension.

Waiting to trap 12 or 36 paychecks with a GSI, and SSI, a promotion, or a range elevation will give you the full effect of that increase in your pension.

And remember that any outstanding paychecks disbursed as a lump sum after separation neither count towards your 12 or 36-month average FT base salary nor earn service credit.

Comparison of benefit factors between 2% at 55 vs. 2% at 60:

- Classic 2% at 55 vs. new 2nd Tier: 2% at 60
- Minimal difference if you retire at 50
- Increases to maximum difference at age 55
- Decreases to ~3% difference if one retires at 63 or older
- Therefore if one works 3% longer in 2nd Tier and retires at 63 or older, the pension will be identical!

Comparison of 1st Tier vs. 2nd Tier

AGE	2%@55	2%@60	60 as % of 55
50	1.100%	1.092%	99.3%
51	1.280%	1.172%	91.6%
52	1.460%	1.224%	83.8%
53	1.640%	1.296%	79.0%
54	1.820%	1.376%	75.6%
55	2.000%	1.460%	73.0%
56	2.064%	1.552%	75.2%
57	2.126%	1.650%	77.6%
58	2.188%	1.758%	80.3%
59	2.250%	1.874%	83.3%
60	2.314%	2.000%	86.4%
61	2.376%	2.134%	89.8%
62 (avg.age)	2.438%	2.272%	93.2%
63	2.500%	2.418%	96.7%

Example: retiring with a highest base salary of $6,000/month and 20 years of service credit.

A comparison between the 1st Tier (2%@55) vs.

the new 2nd Tier (2%@60):

Example: $6000 & 20 yrs. service credit

AGE	2%@55	2%@60	Difference/mo
50	$1,320.00	$1,310.40	$9.60 = Min.
51	$1,536.00	$1,387.20	$148.80
52	$1,752.00	$1,468.80	$283.20
53	$1,968.00	$1,555.20	$412.80
54	$2,184.00	$1,651.20	$532.80
55	$2,400.00	$1,752.00	$648.00 = Max.
56	$2,476.80	$1,862.40	$614.40
57	$2,551.20	$1,980.00	$571.20
58	$2,625.60	$2,109.60	$516.00
59	$2,700.00	$2,248.80	$451.20
60	$2,776.80	$2,400.00	$376.80
61	$2,851.20	$2, 560.80	$290.40
62: avg. age	$2, 925.60	$2, 726.40	$199.20
63	$3,000.00	$2,901.60	$98.40

Effect of "Pension Reform" from 2012 AB340, PEPRA: "Tier 3" pp. 34-35).

- No changes for current CalPERS members, as of 12/31/12
- An increase in employee contributions to ½ of the normal cost (8%). Due to a CSU carve-out**, this will not be a mandatory subject of bargaining for Tiers 1 & 2 until 1/1/18, but operationally not until 2021 at the earliest (Note: not as of yet.**
- New 3rd Tier for new members/employees as of 1/1/13:
- New formula: **2% at 62** rather than 2% at 60 or 2% at 55
- Continues highest average base salary over 3 years rather than 1 year from the 2010 Budget Act.
- Earliest vesting age: 52/maximum benefit factor at age 67

Comparison of Benefit Factors between 2% at 55 vs. 2% at 62:

- Current Tier 1: 2% at 55 vs. new 3rd Tier: 2% at 62
- Substantial differences if retire under 65
- Maximum difference at age 55
- No difference if one retires at 67

Therefore, if one works 4 years longer in 3rd Tier and retires at 67, the pension will be identical

Comparison of “Classic” Tier (2% at 55) vs. Tier 3 (2% at 62):

Comparison of Tier 1 and Tier 3 (1/1/13)

AGE	2%@55	2%@62	62 as % of 55
50	1.100%		
51	1.280%		
52	1.460%	1.000%	68.5%
53	1.640%	1.100%	67.1%
54	1.820%	1.200%	65.9%
55	2.000%	1.300%	65.0%
56	2.064%	1.400%	67.8%
57	2.126%	1.500%	70.6%
58	2.188%	1.600%	73.1%
59	2.250%	1.700%	75.6%
60	2.314%	1.800%	77.8%
61	2.376%	1.900%	80.0%
62: avg. age	2.438%	2.000%	82.0%
63	2.500%	2.100%	84.0%

Comparison of Tier 1 and Tier 3 (1/1/13) (ages 64-67)

AGE	2%@55	2%@62	62 as % of 55
64	2.500%	2.200%	88.0%
65	2.500%	2.300%	92.0%
66	2.500%	2.400%	96.0%
67	2.500%	2.500%	100.0%

Service Credit Payment Options:
(Pub 12, pp. 27-28)

- Lump Sum
- Payment schedule up to 180 months (15 years); two options, each with pros and cons, including interest payments:
- Pre-tax: reduces your tax burden but unable to pay off early.
- NOTE: As of 1/1/20, you'll have to pay remaining balance at retirement date or elect to receive a reduced monthly benefit.
- Post-tax: doesn't reduce your tax burden, but able to pay off early

Service Credit Purchases:
(Pub 12, pp. 9 & 25-26)

- You have to submit your application to purchase SC before you retire. PERS recommends at least 1-year pre-retirement.
- It takes 3-12 months for CalPERS to send you a cost statement, informing you how much SC you can purchase and the cost.
- Once you receive the cost statement you have 60 days to make the purchase.
- Even if you have been retired for a year when you finally purchase it, CalPERS will make you whole back to your retirement date!

Purchasing Service Credit:
Rolling over other funds

- You can also roll over ANY qualified investment (401K, 403B, 457, TIAA-CREF, etc.) to help pay for any service credit purchase. **But rolling over PST $ may expose you to the WEP: Windfall Elimination Provision, and a reduction in your Social Security pension!** So just leave your PST alone until you retire.

- Go to: https://www.ssa.gov/planners/retire/wep.html

- For chart of significant SS earnings: https://www.ssa.gov/pubs/EN-05-10045.pdf

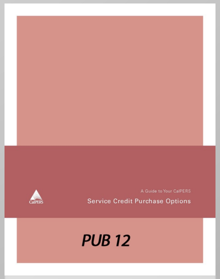
> See FAQ's on website and Pub. 12, pg. 30

Service Credit Payment Options:
(Pub 12, pp. 27)

If interested in roll-over to buy service credit, contact CalPERS to get form. See: URL in VI.B.2c on workshop handout for info:

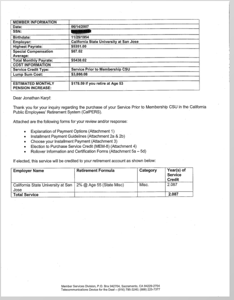
https://www.calpers.ca.gov/docs/plan-to-plan-transfers-direct-rollovers.pdf

You should contact your plan early in the process to ensure that the funds are available to roll over by the time you receive the CalPERS cost statement, as you only have 60 days once you receive the cost statement to make the purchase.



Purchasing Service Credit:
Service prior to membership [Pub. 12: pp. 15-16]

- Especially important for all PT lecturers or <u>anyone</u> who taught for a while as a lecturer **before** becoming a **CalPERS** member.
- Least expensive kind of service credit to purchase: you only pay employee cost, plus is based on HBS at time you became a **CalPERS** member, rather than your current Highest FT Base Salary.
- See Pub. 12, pages 15-16.



MEMBER INFORMATION	
Date:	06/14/2007
SSN:	[redacted]
Birthdate:	11/29/1954
Employer:	California State University at San Jose
Highest Payrate:	$5351.00
Special Compensation Average:	$87.02
Total Monthly Payrate:	$5438.02
COST INFORMATION	
Service Credit Type:	Service Prior to Membership CSU
Lump Sum Cost:	$3,866.08
ESTIMATED MONTHLY PENSION INCREASE:	$178.59 if you retire at Age 53

Dear Jonathan Karpf:

Thank you for your inquiry regarding the purchase of your Service Prior to Membership CSU in the California Public Employees' Retirement System (CalPERS).

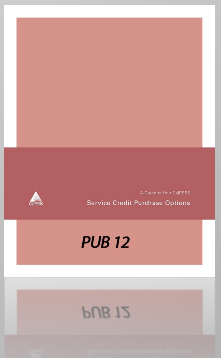
Attached are the following forms for your review and/or response:

- Explanation of Payment Options (Attachment 1)
- Installment Payment Guidelines (Attachment 2a & 2b)
- Choose your Installment Payment (Attachment 3)
- Election to Purchase Service Credit (MEM-8) (Attachment 4)
- Rollover Information and Certification Forms (Attachment 5a – 5d)

If elected, this service will be credited to your retirement account as shown below:

Employer Name	Retirement Formula	Category	Year(s) of Service Credit
California State University at San Jose	2% @ Age 55 (State Misc)	Misc.	2.087
Total Service			2.087

Member Services Division, P.O. Box 942704, Sacramento, CA 94229-2704
Telecommunications Device for the Deaf – (916) 795-3240; (888) 225-7377



Service Credit Purchase Options:
Service Prior to Membership

1) First use service credit calculator on CalPERS web site

http://www.calpers.ca.gov/index.jsp?bc=/member/service-credit/scce/home.xml

2) Follow instructions, print out calculation and purchase application and send to CalPERS via certified mail.

(See Pub. 12, pp.15-16 for info, but use the website to apply)

Note: if in tier 3 (2%@62), go to www.calpers.ca.gov, under Forms & Publications Center, view all, the check box for service credit, then click on 17th link to the right to get form.

Purchasing Service Credit:
You can also buy back service credit from:

- DIP's (Difference in Pay Leaves) if you lost service credit Pub. 12, (pp. 9-10: use the Leave of Absence purchase option on website)

- Year-long or 2-quarter, partially-funded sabbaticals Pub. 12, (pp.9-10: use the Leave of Absence purchase option on website)

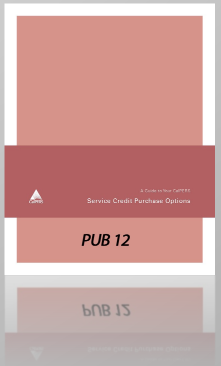
- Unpaid maternity/paternity leaves or any unpaid professional or medical leaves (Pub. 12 pp. 9-10: use the Leave of Absence purchase option on website)

- All of these will be cheaper if done earlier, due to your lower base salary. See Pub. 12: pp. 9-10 & 24. Use PERS website.

Purchasing Service Credit:

You can buy back service credit from:

- Peace Corps, Americorps & VISTA: you may buy up to 3 years of CalPERS service credit (Pub. 12, pp. 11-12)
- Active Military service: you can buy up to 4 years (Pub. 12, pg. 5, but see Pub. 15) But **not** if you have 20 years service and hence a military pension.
- Contact **CalPERS** for info on these purchases. These use your current salary for costing though.



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The Added Benefit of Unused Sick Leave: Pub. 12, pg. 26

- We earn 8 hours of sick leave for every monthly pay period at full-time (12 periods/year)

a. 96 hours per year for a 1.0 appointment

b. Pro-rata per year for less than full-time appointments

- At retirement our unused sick leave translates into additional service credit at a rate of .004 years for each unused sick leave day (i.e., 8 hours) – but <u>only</u> if you retire within 120 days of separation!

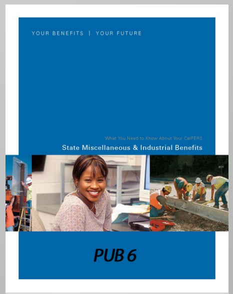
a. 250 days of sick leave (2000 hours) = one year of service credit, so 4000 hrs = two years of service credit. Maximum = 4800 hours.

b. Check with your HR Dept. to make sure their records are accurate – ***trust but verify***

P&B

Your Pension; Definition of Terms:
Beneficiary vs. Survivor

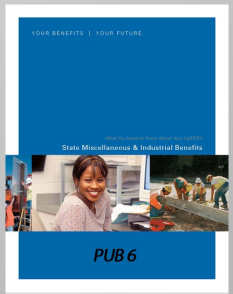
- **Beneficiary**: someone who may receive a monthly pension check after your death for the rest of their life
- A beneficiary can be anybody: a spouse, domestic partner, child, friend, your estate, a trust, etc.
- **Survivor**: someone who will receive the Survivor Continuance after your death. (pub. 6, pg. 10)
- Your survivor can be the same person as your beneficiary or someone else, but is defined by law
- Your survivor will receive 25% of your unmodified pension as a monthly check for the rest of their life, but does NOT reduce your pension check as does having a beneficiary!



Definition of Terms:
Beneficiary vs. Survivor; Pub. 6, pg. 11

- By law, a survivor is (in the following order):

1) a legal spouse, married at least 1 year pre-retirement
2) a domestic partner, at least 1 year pre-retirement
3) an unmarried minor child, biological or adopted, under 18 years of age; only continues until 18th birthday
4) an unmarried child who was disabled before age 18: until disability end or until marriage
5) if none of the above, qualifying economically-dependent parents
6) If none of the above: no survivor



A Brief Overview:)
Survivor Continuance

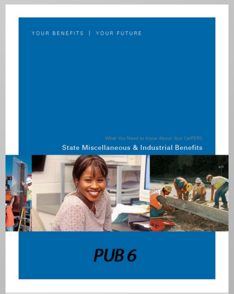
- The CSU opted in to “Survivor Continuance” with PERS

- This means if you die before your CalPERS “survivor”, your survivor will receive a monthly check that is 25% of your unmodified pension check, even if you chose another.

- This is independent of the beneficiary benefit check that stems from choosing those options, but your beneficiary <u>total cannot exceed your pension amount</u>

- This means that one could choose the unmodified option, and still convey medical and dental benefits to a surviving spouse or domestic partner.

- I have verified this with CalPERS.



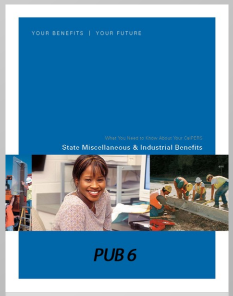
A Brief Overview:
The 7 Retirement Options (Pub. 43, pp. 10 – 14)

- -w/less than 20 yrs., If you die before being vested your beneficiary receives $5000 group life + 6 mos. Pay; 20+ yrs. You receive $5000 group life only. (Pub. 6, pg. 12-13)

- The Unmodified option yields the highest possible pension; this is what the tables on pg. 29,31,33 Pub. 6 refer to, because there is no beneficiary. But due to the survivor continuance, health benefits will continue to survivor

- "Return of Remaining Contributions Option 1" gives a lump sum of remaining EE contributions to beneficiary. These are gone after an average of 10 years, as the EE contributions are used 1st, then ER, and last market $.

- Options with beneficiaries: trade offs between the amount of your pension vs. your beneficiary.



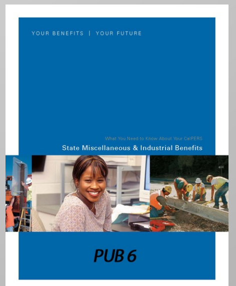
A Brief Overview:
The 7 Retirement Options

- 100% Beneficiary Option 2) provides the highest possible beneficiary benefits, and it is the default option if you die before retiring, but are vested.

- Gives same pension you received to your beneficiary, but if beneficiary pre-deceases, your monthly pension remains at this level. If both die, remaining EE goes to secondary beneficiary, for example children.

- 100% Beneficiary w/Benefit Allowance Increase Option 2) provides you with a slightly lower pension than above, and beneficiary receives the same check as you did

- The one with the B.A.I is lower than the other because if your beneficiary pre-deceases you, or marital status changes, such that there is no beneficiary your pension goes up to the unmodified monthly rate.



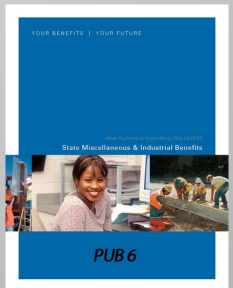
A Brief Overview: The 7 Retirement Options

- 50% Beneficiary Option 3) provide higher pension to retiree than Option 2 or 2W because less goes to survivor (these options give **<u>1/2</u>** of your pension to the beneficiary. But in these options the survivor continuance <u>adds</u> $ on top of the beneficiary check: 25% of the unmodified option: ~80% of yours

- 50% Beneficiary Option 3 w/Benefit Allowance Increase) gives you less than the former option, and therefore ½ of a lower pension to your beneficiary.

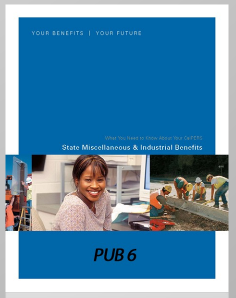
- BECAUSE: Like 100% beneficiary options, if beneficiary dies before you, in the former yours stays the same while in the latter yours goes up to the unmodified amount; so your check is higher with former than the latter.

- In all, if both die remaining EE contributions goes to 1 or more named secondary beneficiaries (such as children)



A Brief Overview:
The 7 Retirement Options: Option 4

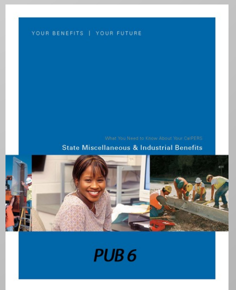
- Flexible Beneficiary Option 4: allows one to designate multiple beneficiaries by % or cash amount
- Also various Community Property Option 4's
- There was an Option 4 options that worked well w/FERP by reducing your allowance for the first 5 years; almost like buying "air time" to boost pension amount stating in year 6.
- But CalPERS ended this option on 1/1/18 due to low level of use by members.
- Note that there is a CalPERS Durable Power of Attorney that unlike normal DPAs persists after death! See website.



A Brief Overview:
The 7 Retirement Options

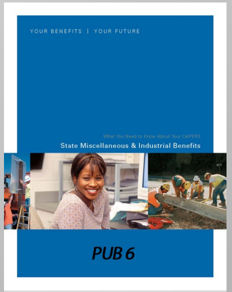
- Which option works best for you depends on your particular life circumstances. Look them over in Pubs. 6 and 43, and consult with family and perhaps a financial planner.

- Because the beneficiary can't receive more than the retiree, with either 100% beneficiary there is no additional benefit of the survivor continuance.



Cost of Living Adjustments (COLAs): (p.11, IX.)
Adjustments to your pension

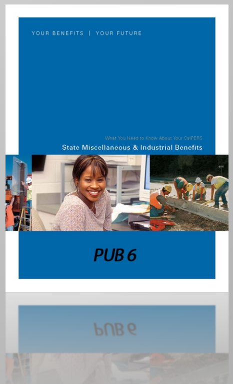
- Standard COLA is a “max”* of 2% per year, tied to the Consumer Price Index (CPI)
- Payable the second calendar year of your retirement and every year thereafter in May 1 check (see Pub. 6, pg. 24)
- This is the reason why (only in terms of the COLA) it is preferable to retire on Dec. 31st vs. January 1st
- *Cola can be >2% if there are years of COLA under 2%, this year it was higher than 2% due to record high inflation.
- Pub. 6, pg. 25



Purchase Power Protection Allowance (PPPA): (p.11, IX.)

Adjustments to your pension

- If your pension ever drops below 75% of the purchasing power it had upon initially retiring
- CalPERS will augment your pension to bring it up to 75%
- With normal inflation of 2% per year, it generally takes 10 years of receiving a pension to erode 25% of the purchasing power. Obviously if inflation is higher, such as currently, the time period is shorter.
- It is augmented in your May 1st pension check, like COLAs
- Pub. 6, page 24

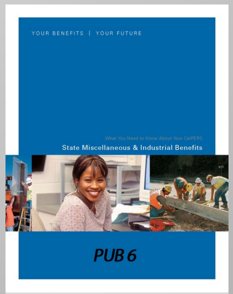


Reciprocity With Other Retirement Systems
Agreement with CalSTRS: (p.11, X.)

1. If you have taught in a community college or K-12 system that has **CalSTRS** pensions or UC you can use being vested in one system to become vested in the other!

Example:

You have 5 years in **CalPERS** but insufficient years in **CalSTRS or UC Retirement**; you are vested in both.



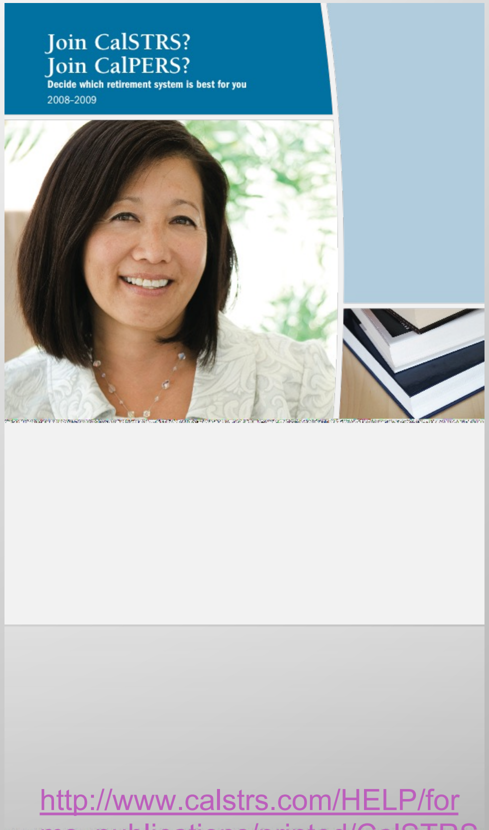
Reciprocity With Other Retirement Systems
Agreement with CalSTRS (2)

2. You can use your highest base salary in **one system** as the salary basis as your pension in both systems.

a. #2 above may only apply to periods of non-concurrent employment: Check with **CalSTRS** for details: 800-228-5453 (M-F, 7am – 6pm); www.calstrs.com

b. But… All service credit remains in the system you earned it in, and…

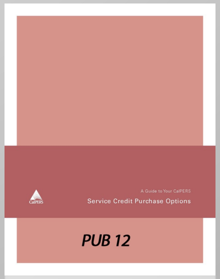
c. You will need to retire from both systems on the same day.



http://www.calstrs.com/HELP/forms_publications/printed/CalSTRS_CalPERS.pdf

Reciprocity With Other Retirement Systems: (p.11, X. B.)

- Contact **CalPERS** for reciprocity with the University of California (U.C.), and other agencies
- UC retirement is same arrangement as with CalSTRS, if you retire from both on the same date



Become a retired CFA member after your retirement!

- You must be a CFA member at retirement to become a retired CFA member post-retirement.
- Retired CFA dues are only $3/month, or $4.67/month with PAC.
- There are a number of folks who would like to take away both our DB pension and especially our retiree health care
- **The <u>only</u> entity who cares about your pension and retiree health care is CFA, so you want to be a retired CFA member.**
- Go to: www.calfac.org/join-cfa to become a retired member.

We hope you found this useful

- Jonathan Karpf, a part-time Lecturer at SJSU for 32 years created a Pension & Benefits workshop in 2007 because too many of his colleagues were in the dark about their retirement security, which comprises ~30% of their compensation package.
- This is one of many reasons why we are fortunate to be represented by CFA and the many CFA activists who care about their colleagues' working conditions.
- If you have any questions, please contact Jonathan at: C: 408-398-9449 or jkarpf@calfac.org (NOTE: **texting** is preferable to emailing me.)

We hope you found this useful

- Who has questions? Please put them in the Q&A and they will be addressed.