California Faculty Association

Retirement FAQ

I. FERP AND PRTB QUESTIONS

1. What is FERP?

Answer: FERP is the CSU Faculty Early Retirement Program, described in CBA Article 29. It allows tenured faculty to retire from CalPERS and receive their full pension while also receiving up to 50% of their salary at retirement for working that same timebase for up to 5 years. It is a contractually-mediated specialized form of working as a retired annuitant, in that: a) the employer is mandated to rehire the annuitant, b) pay them the same base salary they had at retirement, and c) CSU tenured faculty are only category of state employee that don't have to wait 6 months before being rehired as an annuitant, due to a carve out (bargained by CFA) of the 2012 PEPRA (Public Employee Pension Reform Act).

2. Because we're in bargaining is there a chance we might lose FERP?

Answer: This is highly unlikely for the following reasons: A) The CO knows that FERP saves the CSU money, and B) because of this, the loss of FERP has not even been an idle threat, not only in the two Collective Bargaining Agreements (CBAs) bargained with Chancellor White, but also in the last CBA bargained with ex-Chancellor Reed – the only Chancellor who ever threatened to remove FERP. That said, the current Chancellor's proposal is to reduce FERP from a maximum of 5 years to a maximum of only 3 years, so we need to remain unified to fight this take-back!

But additionally, the language in CBA Article 29.1 will need to be modified to reflect IRS regulations. The reason why the minimum age to enter FERP in CBA Article 29.1 is 55 years of age is because when this language was last bargained, all CSU faculty had been moved into the 2%@55 CalPERS formula. In order for CalPERS to retain its non-profit status with the IRS, it can't allow anyone to work as a retired annuitant who doesn't receive 2% - the "normal" benefit factor – in their pension. Since then, there have been two PEPRA's: the 2010 PEPRA which stated that those who became members of CalPERS after 1/15/11 were now in the 2%@60 formula, followed by the 2012 PEPRA which created the 2%@62 formula for anyone who became a CalPERS member after 1/1/13.

Consequently, assistant professors who were hired S'11-F'12 and are in the 2nd tier, 2%@60 have to wait until age 60 to begin FERP, and those first hired S'13 or later and are in the 3rd tier, 2%@62, have to wait until they're 62 to begin FERP. There is absolutely nothing that either CFA or the CO can do to change this, as it is based on IRS rules.

Do note that compensation can often be considerably enhanced during FERP, as one is receiving both their full CalPERS pension plus 50% of their salary if teaching halftime; consequently, this might be a good time to consider adding to your 403b/401K or/457 account.

3. What is PRTB, who can apply and when should I apply?

Answer: PRTB is the Pre-Retirement Reduction of Time base program, which allows a tenured faculty member who is at least 55 years of age but not yet 65 years old (or 64 if also a member of CalSTRS) to reduce their workload from fulltime to 2/3, ½, or 1/3 of full-time for a maximum of 5 years with no loss of any subsidized health benefits or of any CalPERS service credit. This has advantages over simply FERPing, as in FERP one has already retired so is no longer earning service credit towards their pension, while in PRTB the faculty member has not yet retired and is therefore able to both reduce their workload but then retire with 5 additional years of CalPERS service credit towards their pension. Do note that your take home pay will be reduced by the percentage of full-time to which you reduce your time base due to PRTB; this is why the most popular PRTB is to reduce it to 2/3 of full-time. But again, despite the reduction in time base, you continue to earn one year of CalPERS service credit per fiscal year as before PRTB.

One can also FERP after being in PRTB. However, IRS and CalPERS rules dictate that the time base of all retired annuitants rehired by the same employer can be no more than 50% of the time base held in the last fiscal year prior to the fiscal year of their retirement or 960 hours per fiscal year, whichever is LESS. What this means is that if you PRTB to 2/3 then you can FERP at 1/3 of full-time; if you PRTB to 1/2 then you can FERP at 1/4 of full-time; if you PRTB to 1/3 then you can FERP at 1/6 of full-time. Any FERP time base lower than 50% means that the retention of subsidized Delta Enhanced dental insurance and VSP optical insurance that occurs in normal half-time FERP will not occur in FERP that follows PRTB.

4. What if I'm a Lecturer and not allowed to either PRTB or FERP; can I still be hired as a retired annuitant after retiring from CalPERS?

Answer: Yes**.** Given the aforementioned IRS rules, if you retire at the age at which you receive at least 2% of your highest FT base salary for every year of service credit with which you retire (which is age 55 for those in 2%@55, age 60 for those in 2%@60, and age 62 for those in 2%@62) then A) if there is a need for your labor, B) there was no written agreement prior to your retirement that you would be rehired, and C) you have waited 180 calendar days from the date of your retirement from CalPERS, you can be rehired in the CSU as a retired annuitant.

However, unlike FERP in which the salary is contractually mediated, regular rehired annuitants – whether they are Lecturer faculty or TT faculty who have finished their FERP – can be rehired in any salary range; not just the one they were in upon retirement. So you want to be on good terms with your chair, and request that you are rehired at the same salary at retirement. It is not uncommon, however, for full professors who have completed FERP to be rehired as Lecturer-C, the associate professor salary range.

All non-FERP rehired annuitants are initially given a term appointment. After teaching both semesters or all three quarters in an academic year (AY), you will be given a 1-year appointment. After teaching at least one semester or two quarters per AY in the same department, you will be eligible for a 3-year appointment with all of the article 12 appointment rights.

But Lecturers and TT faculty be advised: the flip side of the Article 12.29: Preference for Work protections CFA has been able to bargain over the years makes it challenging for any retired CSU faculty to be rehired, as they are considered to be non-incumbent Lecturers. This means that unless there is a course offered that no incumbent Lecturer is qualified to teach but you are, the only way you can be rehired as a retired annuitant is if all of the incumbent 3-year and 1-year PT Lecturers in your department have been offered the available courses and have either turned them down or are all at fulltime timebases.

II. MEDICARE QUESTIONS

1. When do I need to sign up for Medicare, and for which Parts should I sign up?
Answer: If you are no longer working at age 65 then you should sign up for Medicare Part A: Hospitalization, which is free, and Medicare Part B: Doctors' visits, home health care, Occupational and Physical Therapy, Durable Medical Equipment, second opinions, ambulance coverage, etc. for which there is a monthly premium. If you are no longer working then presumably you have retired from CalPERS and are receiving your CalPERS pension. CalPERS reimburses the standard Medicare Part B premium, which in 2021 is $148.50/month in your monthly pension check. Do note that the 2022 standard Medicare B premium is going up substantially (due to the high cost of the yet proven Alzheimer's drug) to $170.10; presumably CalPERS will reimburse this amount.

If your Modified Adjusted Gross Income (MAGI) reported to the IRS in 2019 was no higher than $87,000 filing singly whether married or not, or no higher than $174,000 as a couple filing jointly, then you will pay the standard Medicare Part B premium which means there will be no out-of-pocket expense for Medicare. If your MAGI two calendar years prior to the year in Medicare is higher than the aforementioned income levels, then there is an increase in the Medicare Part B premium due to means testing: there are 5 tiers higher than the standard income/premium level; to see these for 2020 please refer to slide #11 on the Retirement Town hall PowerPoint 5/19/20 posted on this same webpage.

If you are in one of the higher Medicare Part B premium tiers, CalPERS can reimburse you more than the standard premium amount. To do this, FAX your Medicare statement that details your Part B premium to CalPERS at: FAX: 800-959-6545. CalPERS will then compute the difference between your medical premium and the CSU subsidy level, and will then add this to the standard reimbursement. This is one reason why some faculty switch from a more expensive PPO to a less expensive HMO such as Kaiser in order to maximize their Part B reimbursement from CalPERS, if they are in one of the more expensive Part B tiers.

NOTE: If you are still working at Medicare age 65, then sign up for active Part A: Hospitalization, but explain to HR/Social Security that because you are still covered by your employer's medical insurance, you want to wait until you separate from employment and have retired from CalPERS before you sign up for active Part B. There is absolutely no reason to be paying the Part B premium if you haven't yet retired and are having it reimbursed.

2. Do I also need to sign up for Medicare Part D: Prescription Drug coverage?
Answer: NO! Not only do all of the CalPERS medical plans have superior prescription drug coverage than does Medicare Part D, if you sign up for Part D – coverage you in fact don't need – and unless CalPERS writes you and asks you to sign up for OptumRx-Medicare D – then you will lose your CalPERS medical coverage for life. Let me repeat: if you sign up for Medicare Part D without CalPERS informing you of the need to do so, you will lose your CalPERS medical coverage FOR LIFE.

So for us it's only Part A and Part B; just say **NO** to Part D.

3. Is there a change in my personal physician when I enroll in Medicare?
Answer: NO; there is only a change in who pays your health care costs off the top. Until we're in Medicare, it's paid by California; once you're in Medicare, the initial costs are paid by the federal government (based also on employee contributions to Medicare) and anything that Medicare doesn't cover is then covered by your CalPERS Medical provider; it acts like supplemental Medicare insurance, which means that you don't need to pay out-of-pocket for supplemental Medicare insurance as do the vast majority of Americans, because we're the only developed country without a government single payer health system.

4. Do I remain in my CalPERS Medical Provider's basic health plan after I enroll in Medicare?
Answer: No; all of the CalPERS medical providers have a version of their plan that is designed to articulate with Medicare. For example, Kaiser calls theirs Kaiser Senior Advantage. So, once you're in Medicare A and B, you will need to contact your health plan to switch to their Medicare version of their plan. Blue Shield is the only CalPERS plan that lacks a Medicare version, but Blue Shield is introducing a new HMO plan called Blue Shield Trio that will be available in El Dorado, Los Angeles, Nevada, Placer, Sacramento and Yolo counties that may articulate with Medicare.

5. What if my spouse reached Medicare age before I do or vice versa?
Answer: All of the CalPERS Medical Providers have rates to accommodate any combination of dependents and CSU employee with regard to Medicare status. Please see the CalPERS 2021 and 2022 rate list for the various plans, Medicare combinations, and rates at: https://www.calpers.ca.gov/page/active-members/health-benefits/plans-and-rates

III. SOCIAL SECURITY QUESTIONS
1. What is the earliest age to begin drawing Social Security benefits?
Answer: 62 years of age

2. What is the "normal" earliest age to begin drawing Social Security benefits, and are there any advantages for me to wait until I am at my normal age before drawing social security benefits?

Answer: Your normal age is tied to the year of your birth. For those born in 1943-1954, the normal SS age is 66. There is a 2-month increase for every year of birth younger than 1954, until it reaches the maximum of 67 years of age for those born 1960 or later. So, for example, if you were born in 1956 your normal age for SS is 66 years and 4 months.

There are two benefits of waiting until at least your normal age before retiring from Social Security and drawing benefits:

A) If you work after drawing SS benefits and have retired from SS younger than your normal age, then your wages will be deducted dollar for dollar from your SS check. If you retire from SS at or above your normal age, you are then able to work without it reducing your SS check.

B) There is also a reduction in your monthly SS benefit if you retire younger than your normal age. There is a 6.67% reduction/year for the first 3 years below your normal age and an additional 5% reduction for each year beyond 3 years younger. So for example, if you were born 1960 or later so that your normal age was 67 years, and you chose instead to retire from SS at age 64, your SS check would be 3 x 6.7% or 20.01% lower than if you had waited until your normal age. And if this person began drawing SS benefits at the earliest age possible, 62, there would be a deduction of 11.67% (6.67% + 5%) for two of the 5 years, yielding a monthly SS check that is a total of 43.35% lower than is they had waited until their normal age.

3. What is the oldest age I should retire from Social Security, and are there any advantages of waiting until that age before drawing SS benefits?
Answer: 70 years of age.

At age 70 your social security check is at the highest possible; this is why once you are 70 if you haven't yet begun drawing your SS benefits then you should begin drawing them on your 70th birthday.

For every year above your normal age that you begin drawing SS benefits, there is an 8% increase in your monthly SS check. So that same person born 1960 or later, if they wait until 70, will receive a SS check that is 24% higher than if they retired at their normal age of 67.

4. How can I decide when to retire from Social Security that maximizes the amount of money I'll receive from the federal government?
Answer: This is in general highly variable and dependent on how long you expect to live. That said, the break-even point was established in the 1970's based on actuarial tables. Lifespan has increased since then, such that the average man who is 65 today is expected to live until 87 years old, while the average 65-year old woman today is expected to live to be 91 years old.

The break-even point is 77.5 years of age.

What this means is if due to your family genetics and your current state of health, you expect to live until at least 78 years of age, you will make more money if you delay drawing

SS benefits until age 70, thereby trapping the highest check possible than if you began at any age between age 62 and 70.

Obviously, if you pass away before 77.5 years of age the break-even age is lower.

It is also worth mentioning here that if you have a dependent under 18, and you (or your spouse) is receiving Social Security, the dependent is also entitled to Social Security payments until reaching the age of 18 - and you don't have to be pass away for this benefit!

IV. CalPERS PENSION, RETIREE HEALTH CARE, AND RETIREMENT QUESTIONS

1. How do I contact CalPERS?

Answer: https://www.calpers.ca.gov Set up a MyCalPERS account.
Phone: 888-225-7377/ FAX: 800-959-6545
400 Q Street, Sacramento, CA 95811
You can find the address of all 8 CalPERS regional offices at the CalPERS website.

2. What does it take for someone hired initially fulltime to become a member of CalPERS?

Answer: If you were initially hired full-time, you became a member of CalPERS upon being hired in the CSU.

3. What does it take for someone hired initially part-time to become a member of CalPERS?

Answer: You become a CalPERS member by the first paycheck of either your 3rd consecutive semester or 4th consecutive quarter with a timebase of .5 (7.5 WTUs) or more.

4. What happens when a part-time Lecturer becomes a member of CalPERS?

Answer: Until you are in CalPERS, 7.5% of your monthly gross wages are deducted and invested in a mixture of stocks by the Part-time, Seasonal, Temporary (PST)-Savings Plus Program, managed by Nationwide Retirement Systems set up by the CA Department of Finance in 1991. While in PST, there is no CSU contribution to your retirement, neither you nor the CSU are making contributions to Social Security, and you are not earning CalPERS service credit.

Once you become a member of CalPERS, 8% of your monthly gross wages will be deducted for CalPERS, the CSU will contribute ~29% of your monthly gross wages to CalPERS, both you and the CSU will make matching contributions to Social Security, and you will begin earning CalPERS service credit, based on your proportion of full-time, towards your eventual CalPERS defined benefit pension.

As soon as anyone who ever taught part-time in the CSU becomes a CalPERS member, you are eligible to purchase the Service Prior to Membership (SPM) – the service credit from all of the academic terms you taught in the CSU prior to the academic term in which you became a CalPERS member.

SPM is not only the least expensive CalPERS service credit purchase (because you only pay the employee share and not the employer share for that service credit) but it's also the only service credit that you can use to become vested in CalPERS. Contact CalPERS (info above) to make this SPM purchase.

But it is best to **not** roll over your PST funds in order to purchase SPM since while we are in PST neither we nor the CSU are making Social Security contributions; consequently, rolling over PST-Savings Plus funds might expose your Social Security pension to a reduction due to the Windfall Elimination Provision (WEP) unless you have 30 years of what Social Security considers to be substantial earnings. Go to: https://socialsecurityintelligence.com/the-windfall-elimination-provision to learn more about the WEP.

5. What does it mean to be vested in CalPERS?
Answer: Being vested means that you can retire with the defined benefit CalPERS pension, as long as you have reached age 50 (tiers 1 and 2) or age 52 (tier 3).

6. What if I'm a Lecturer who doesn't yet have the 5 years of service credit and I lose all of my work?
Answer: Normally CalPERS will not look at your unused sick leave to convert it to service credit unless you are already vested. But if you have worked continuously for 5 academic years in the CSU, there is Government Code 20970. This code requires CalPERS to see if your unused sick leave is sufficient to reach the 5 years you need to be vested.

7. Is being vested for the pension the same as being vested for the medical and dental benefits in retirement?
Answer: That depends, as follows:

If you were initially hired in the CSU before 2017, then you only need 5 years of service credit to also be fully vested for the lifelong medical and dental benefits, for yourself, a same or opposite sex spouse, a state domestic partner, and any dependent children up to age 26.

If you were initially hired in the CSU F'17 or later, you still only need 5 years of service credit for the pension, but you need 10 years of service credit for the health vesting. However, to put this in context, all of the other 21 state bargaining units need 25 years of service credit to be vested for lifelong health benefits. Can you say "thank you CFA?" I knew that you could.

8. Are there any other requirements to retain my medical and dental benefits for life?
Answer: Yes, there are two, as follows:
A) You must be benefits eligible – meaning a minimum .4 (6 WTU) time base at retirement, otherwise you do not have any benefits to carry over into retirement. What this means for PT Lecturers is that you want to avoid having your last academic term in the CSU at a lower timebase than 6 units of state-support work.

B) You also have to choose a retirement date on the CalPERS retirement application that is no more than 120 days (but ideally no more than 30 days) after the separation date from the CSU payroll that you do with your campus HR department.

9. Do I have the same medical, dental, and optical benefits in retirement?

- **Answer**: No. You will have the same medical coverage in retirement as you had while working, but while working we have Delta Enhanced dental coverage that pays 80% of costs while in retirement what is fully subsidized is Delta Basic dental coverage that only covers 50%. But you can pay out-of-pocket for either the Delta HMO or the Delta PPO coverage which provides better coverage than the basic. Go to: www.csuretirees.calstate.edu (800-626-3108)
- Delta HMO: $15.05/month; better than Delta Basic as t covers root canals but doesn't cover implants.
- Delta PPO: $64.92/month. $50 deductible per year, $1500 maximum benefits/year but superior to Delta HMO as it also covers implants.

We do lose our subsidized VSP optical insurance in retirement as this is a CSU benefit and not a CalPERS benefit. But you can purchase VSP basic at cost and can also purchase VSP Premier which is an enhanced version of VSP that allows a new pair of glasses/contacts every year plus other benefits. Go to: http://www.vsp.com; 800-866-7195.

10. What factors determine the amount of my CalPERS pension?

Answer: There are 3 factors that determine how much you will receive in your CalPERS pension every month for the rest of your life, as follows:

A) Your 12-month (Tier 1) or 36-month (Tiers 2 & 3) average highest fulltime base salary. This refers to what you would receive in your gross – not net – monthly wages if you were working full-time, even if you had never worked full-time in the CSU in your life.

It's any 12 or 36 continuous paychecks; not an academic year, calendar year, nor fiscal year. If you are a TT faculty member who was an associate dean, a dean, or an AVP before returning back to faculty, CalPERS will use whichever 12 or 36-month period in which you were at your highest FT base salary.

NOTE: because we are among the 40% of CalPERS members who also receive Social Security pensions, there is a $133.33 deduction off our 12 or 36-month average highest FT base salary before it is multiplied times the remaining two factors.

B) The number of years and partial years of CalPERS service credit (SC) that you have at retirement.

If you are full-time, you earn 1/10 of a year of SC with each paycheck in the fiscal year. This means that between your July 1st paycheck and your April 1st paycheck you've earned a full year of SC, and therefore don't earn any additional SC in your May 1st and June 1st paychecks.

If you are a part-time Lecturer, and you work at a .83 timebase (12.45 units/term in an academic year) then you'll earn less than 1/10 of a year of SC per monthly paycheck, but you'll earn it in all 12 paychecks for that fiscal year and end up with a full year of SC per fiscal year.

If you are a part-time Lecturer and work at lower than a .83 timebase, then you will also earn SC in each of your 12 paychecks in that fiscal year, but will end up with less than a full year of SC based on your proportion of fulltime work. For example, if you taught at a .5 timebase (7.5 units per term per AY), then you'll earn half of a year of SC for that fiscal year.

C) The benefit factor, which is tied to your age at retirement, as follows:
• For tier 1 (2%@55): at **50** the benefit factor is 1.1%, at 55 it is 2%, and it reaches the maximum of **2.5%** if you retire at **63** or older.
•For tier 2 (2%@60): at age **50** the benefit factor is 1.092%, at 55 it is 1.46%, at 60 it is 2%, and it reaches maximum **of 2.418%** if you retire at **63** or older.
•For tier 3 (2%@62): at age **52** the benefit factor is 1.0%, at 55 it is 1.3%, at 60 it is 1.8%, at 63 it is 2.1%, and it reaches the maximum of **2.5%** if you retire at **67** or older.

11. How do these three factors determine my monthly pension check?
Answer: If you multiply these three factors together, it will yield the exact amount you will receive if you retire under the unmodified retirement option, which is the highest possible pension you will receive, as it is the only option that leaves no beneficiary amount.

But because the CSU subscribes to the **Survivor Continuance** Program, even if you retire under the unmodified option and pre-decease your spouse/partner, they will receive **25% of your unmodified pension** every month for the rest of their life. This survivor continuance, because it is a monthly check, will convey the lifelong medical and dental benefits to your surviving spouse/partner as long as they were your legal dependents on your retiree health coverage with CalPERS.

CAVEAT: In order to be legally your survivor, you need to be legally married or a state domestic partner at least <u>one year before your retirement</u> date and remain in that legal relationship up until your death. See below for the rank-ordered list of other legal survivors.

All of the other retirement options that leave varying amounts as beneficiary checks to a beneficiary after you die, will reduce the amount of your pension based on:
A) the amount/percentage of the beneficiary check: the higher the beneficiary amount the bigger the hit to your pension, and
B) the age of your beneficiary and the number of beneficiaries: the younger they are and the more beneficiaries you have the bigger the hit to your pension, relative to the unmodified amount.

12. Is there anything else that determines if my spouse/partner can be eligible for lifelong medical and dental benefits after my death?
Answer: Yes; you have to be legally married – same or opposite sex – or a state domestic partner (and as of 1/1/20 both opposite and same-sex couples only have to be 18 years of age to become state domestic partners). If your spouse/partner passes away or you divorce, and you remarry or become state domestic partners, you can add that person as your dependent on your CalPERS health coverage. Unfortunately, however, once you die their

coverage will end unless you choose a retirement option that leaves them a monthly beneficiary check, as they are not eligible to be your legal survivor with reference to the survivor continuance check as you were not legally in a relationship one year prior to your retirement date.

13. What is the difference between a Beneficiary and a Survivor and can they be the same person?
Answer: A **beneficiary** can be anyone you want: a spouse, a child, a friend, or even a trust or a charitable organization. If the beneficiary isn't a person you will have to leave a fixed amount of money to an organization since they don't have lifespans. A beneficiary who is a person can receive a percentage of your pension amount every month for the rest of their life.

A **survivor** is defined by law, as follows, and in this prescribed order:
A) A legal spouse, same or opposite sex, married at least one year prior to retirement,
B) A legal state domestic partner, at least one year prior to retirement,
C) A minor child, biological or adopted, but only until their 18^{th} birthday,
D) A minor child, biological or adopted, disabled before age 18, will receive the survivor continuance for life,
E) Economically-dependent parents whom you declare on your taxes.

If you have none of the above then you have no legal survivor to receive the survivor continuance check. And yes: your legal spouse or domestic partner can be both your beneficiary and your survivor.

14. How do the 4 CalPERS retirement options with beneficiary checks vary with regard to the amount the beneficiary and I will receive?
Answer: In order of the highest pension check to lowest for you the retiree:
A) **50% Beneficiary Option 3:** In this option, should your beneficiary outlive you, your beneficiary will receive 50% of your pension per month as their beneficiary check. However, if your beneficiary is also your legal survivor, they will receive approximately 63%-75% of your pension as the combined beneficiary check and survivor's continuance check, as follows:
Example: if your monthly pension was $1000 and your unmodified pension would have been $1500/month, then the survivor's continuance will be $375 or 25% of $1500. In this option, what CalPERS does is to subtract the survivor's continuance from your actual monthly pension amount, and then take 50% of this amount to provide as the beneficiary check to which they then add the survivor's continuance amount.
SO: If your monthly pension amount is $1000 subtracting $375 yields $625. 50% of $625 yields $312.50 as the beneficiary check. A $312.50 beneficiary check plus a $375 survivor's continuance equals a monthly amount of $687.50, which in this example is 69% of your pension amount.

B) **50% Beneficiary Option 3 with Benefit Allowance increase**: In this option, if your beneficiary dies before you do, yours then goes up to the highest pension amount possible, the unmodified level. Because of this potential increase in what you might receive, you receive less in this option than the previous one and therefore your beneficiary receives half of a smaller pension compared with the straight option 3. But if your beneficiary is also your legal survivor, because they will also receive the survivor's continuance which is 25% of what you would have received had you retired under the unmodified option, your beneficiary will receive monthly approximately 63-75% of what you received in your pension.

C) **100% Beneficiary Option 2:** In this option should you die first, your beneficiary receives as their beneficiary check each month the exact same amount you received in your pension. Because the beneficiary cannot receive more than the retiree, there is no additional monetary benefit of the survivor continuance. If you beneficiary dies before you do, yours stays the same.

By the way, this option provides the highest support to a beneficiary, and is the option that CalPERS will posthumously choose for you if you are vested for the pension but die before retiring. You should instruct your spouse/domestic partner to contact CalPERS and provide a copy of your spouse's death certificate in order for this to occur.

D) **100% Beneficiary Option 2 with Benefit Allowance increase:** In this option, if your beneficiary dies before you do, yours then goes up to the highest pension amount possible, the unmodified level. Because of this potential increase in what you might receive, you receive less in this option than the previous one and therefore your beneficiary receives 100% of a smaller pension compared with the straight option 2. But as in the previous option, there is no additional monetary benefit of the survivor continuance since the beneficiary cannot receive more than the retiree.

15. Are there any other CalPERS retirement options than the ones described above?
Answer: Yes, there are three:
A) As stated above, the option that yields the highest pension of all is the **unmodified option**, because it leaves nothing to a beneficiary. But if you have a survivor, this option will leave the survivor continuance monthly check, which is sufficient to convey the subsidized medical and dental benefits to your survivor for the rest of their life as long as they are legal CalPERS dependent on your health coverage before you die.

B. The second highest pension you can receive is **the Return of Remaining Contributions Option 2**: In this option there is no monthly beneficiary check, but if there are any remaining <u>employee</u> contributions to CalPERS upon your death, the remaining amount is disbursed as a lump sum to your beneficiary. **CAVEAT**: The first money that CalPERS uses to pay out your pension consists of your contributions to CalPERS. On average, it requires receiving your pension for 10 years until all of your contributions have been exhausted. Then CalPERS uses the <u>employer</u> (CSU) contributions to pay your pension. If you live long enough such that you exhaust the employer contributions, CalPERS will shift to using their market assets to pay your pension.

What this means operationally is that if you anticipate receiving your pension for at least 10 years, it makes no sense to reduce your pension relative to the unmodified option as there will no longer be any employee contributions to disburse as a lump sum to your beneficiary. C) **Option 4** is a sort of roll your own option, with the hit to your pension depending on: 1) how much money your beneficiary receives over her/his life, 2) the number of beneficiaries you identify, and 3) their ages.

Option 4 allows you to:
• Choose more than one beneficiary,
• Choose a different percentage of your pension for your beneficiary, other than either 50% or 100%,
• Choose different percentages for multiple beneficiaries or dollar amounts, and
• Is the option you should choose if you divorced previously and owe a portion of your pension to an ex-spouse due to community property.

D) Lastly, to rank order your monthly pension amount from **highest** to <u>lowest</u>:
1. The Unmodified Option
2. Return of Remaining Contributions Option 2
3. 50% Beneficiary Option 3
4. 50% Beneficiary Option 3 with Benefit Allowance Increase
5. 100% Beneficiary Option 2
6. 100% Beneficiary Option 2 with Benefit Allowance Increase

16. Is sick leave paid out at retirement? What happens to unused sick leave?
Answer: Sick leave is earned with each monthly paycheck as a proportion of full-time. At a full-time timebase you earn 8 hours of sick leave per month, or 96 hours per year. Part-time Lecturers earn it pro rata, so someone teaching 7.5 units or a .5 timebase would earn 4 hours of sick leave per month or 48 hours per year.

Sick leave is not paid out, but at retirement it is converted to CalPERS service credit at the rate of .004 years of SC for each unused sick leave day or 8 hours of sick leave. So if one is full-time for say 21 years and earning 96 hours of sick leave per year and doesn't use any or donate any, they would have 2,016 hours of sick leave. 2000 hours of sick leave turns into a full year of service credit. One can also earn fractions of a year of service credit from unused sick leave.

Unused vacation pay that accrues to 12-month faculty, such as 12-month Chairs, Librarian faculty, Counselor faculty, and some Coaching faculty, is paid out at retirement. But because this money comes out of the departmental budget, it is very uncollegial to not use up vacation pay before retiring. (this could depend on how the accounting is done – our dean would take care of this as he did all salaries)

17. Are there Cost of Living increases (COLAs) to our CalPERS pensions?
Answer: Yes. Beginning with the May 1st pension check the second calendar year after the calendar year of your retirement, there is a "maximum" 2% COLA to your CalPERS pension, tied to the Consumer Price Index (CPI). Let's say inflation the first year of your COLA is

1.5%; in that case, you'll receive a 1.5% COLA. Let's say the next year the CPI is 1.8%; you'll receive a 1.8% COLA. Then in the 3rd year the CPI is 1.7%; you'll; receive a 1.7% COLA. But in the 4th year, say the CPI is 2.4%. CalPERS banks the difference between your COLAs and 2%, and if, as in this example, there is a future year of greater than 2% inflation, you will receive a 2.4% COLA. That is why I wrote "maximum" in quotes above.

18. But won't higher inflation ultimately eat away at my pension's purchasing power?
Answer: The longer you receive your pension, inflation will definitely reduce the purchasing power of your CalPERS pension. But CalPERS has a **Purchase Power Protection Allowance** (PPPA) that kicks in whenever the purchasing power of your pension drops below 75% of the purchasing power it had at the onset of your pension. Again, in the May 1st pension check, CalPERS will augment your pension, bringing it up to 75% of the purchasing power it had when you began receiving your pension. With normal rates of inflation, it generally takes 10 years to reduce your pension by 25%.

19. I'm also in CalSTRS and/or UC Retirement; is there any benefit of this?
Answer: Yes, there is reciprocity between CalPERS and both CalSTRS and UC Retirement.

If you retire from both retirement systems on the same date, meaning that you choose the same date of retirement on both your CalPERS and CalSTRS or UC retirement applications, then:
A) If you have insufficient number of years in one of the two systems, you are automatically vested in both systems, and
B) You can use your highest FT Base Salary from one employer as the salary component of both retirement systems.

This works best if your service was sequential rather than concurrent. If you have been working in both the community college (CalSTRS) and the CSU (CalPERS) all along, CalSTRS will require you to have a one or three-year break in employment in order to take advantage of the reciprocity. If there has to be a break in employment, you're going to want to stop teaching at the community college or UC campus while continuing to teach in the CSU. After the requisite break in service, you then retire from both systems on the same date. The reason you'll want the CSU to be your last employer is because: 1) your lifetime medical and dental benefits stem from your CalPERS pension, and 2) the 120-day rule states that you have to retire from CalPERS within 120 days from your separation date from CSU employment in order to carry your medical and dental benefits into retirement.

Phone number and URL for CalSTRS: 800-228-5453; https://www.calstrs.com
Phone number and URL for UC Retirement: 800-888-8267;
https://retirementatyourservice.ucop.edu

20. Why should I be a retired CFA member and what are the dues?
Answer: The retired dues are only \$3.00/month or \$4.67/month with the voluntary political action contribution. The reason it is in your interest to become a retired CFA member is because no one else cares one whit about saving your pension and retiree health coverage except for CFA. CFA is the only entity that will continue to fight to protect both

your pension and retiree health care going forward. So why would you not want to do this? But you have to be a CFA member at retirement in order to become a retired member. Go to: https://www.calfac.org/join-cfa