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Financial Literacy

Module III – CalPERS Retirement Benefits

Overview

- **CalPERS Facts at a Glance**
- **CalPERS Annual Statement**
- **Retirement Formula**
 - Benefit Parameters
 - Options
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- **Health Benefits**
- **PRTB and FERP**

CalPERS Facts at a Glance

- Total Members (June, 30, 2013): 1,678,996
 - Active or Inactive Members: 1,104,237
 - Retirees/Beneficiaries/Survivors: 574,759
- CalPERS Employers (June, 30, 2013): 3,089
- CalPERS Funding:
 - Investments
 - Employers contributions
 - Employees contributions
- Investment Portfolio Market Value (October, 31, 2013):
 - \$271.5 billion
- Pension Information (June, 30, 2013):
 - Average monthly retirement allowance: \$2,629
 - Average years of service: 20.5
- <http://www.calpers.ca.gov/eip-docs/about/facts/facts-at-a-glance.pdf>

CalPERS Annual Statement

- Service Credit

California Public Employees' Retirement System

2012

Annual Member Statement

For fiscal year July 1, 2011 through June 30, 2012

[REDACTED]

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Your Membership Status

Your June 30, 2012 Annual Member Statement contains important information on your account and the benefits available to you and your family as a member of the California Public Employees' Retirement System (CalPERS).

Your total CalPERS service credit of 6.000 years consists of:

State Misc 2% @ 55

6.000

California State University

CalPERS Annual Statement (cont'd)

- Employee's Contributions and Interest

Your CalPERS Account Summary					
	After Tax Contributions	Tax Deferred Contributions	Interest	Total	Service Credit
BEGINNING Balance July 1, 2011	\$0.00	\$11,995.51	\$1,854.07	\$13,849.58	5.000
CHANGES Fiscal Year 2011/2012	\$0.00	\$2,549.40	\$874.21	\$3,423.61	1.000
ENDING Balance June 30, 2012	\$0.00	\$14,544.91	\$2,728.28	\$17,273.19	6.000

These funds cannot be borrowed against and are available to you only upon permanent separation from all CalPERS-covered employment. The interest credited to your account was computed at the annual interest crediting rate of 6%.

Member and employer contributions are maintained in separate accounts in accordance with the California Public Employees' Retirement Law. Employer contributions are paid into the employer's account, they are not shown in member account balances and are not refundable to you.

- When are the Contributions and Interest paid out?
 - Separation from CSU
 - When refund is requested the CalPERS membership is terminated
 - Death Benefit
 - Active/Inactive member
 - Retiree's beneficiary (Option I)

Retirement Formula

- Retirement Eligibility
 - 50 years of age (52 if hired after January 1, 2013) and five years of service credits
- Computation for Unmodified Allowance (UA)
 - Highest benefit payable that ends upon retiree's death
 - Other options available (payment to beneficiary upon retiree's death)
 - Option 1 (lump sum) , 2, 2W, 3, 3W, 4 (monthly benefits)

$$UA = SC \times BF \times FC$$

- UA: Unmodified Allowance
- SC: Service Credit
- BF: Benefit Factor (age dependent)
- FC: “Modified” Final Compensation

Service Credit (SC)

- Service credit accumulates on a fiscal year basis (July 1 through June 30)
 - To earn a full year of service credit during a fiscal year, a member must work at least:
 - Monthly pay employees – 10 months full-time
 - Hourly pay employees - 1,720 hours
- Converting Sick Leave Time to Service Credit
 - 8 hours of sick leave for every month for full time employees (96 hours per year)

Service Credit (SC) (cont'd)

- Converting Sick Leave Time to Service Credit:
 - Divide the number of hours of unused sick leave by eight to get the number of days. Next, multiply the number of days by .004. This converts the sick days to years of service credit.
- Example:
 - 500 hours of sick leave at retirement:
 - $500 \div 8 = 62.5$ days of sick leave
 - $62.5 \times .004 = .250$ years of service credit
 - 250 days (2,000 hours) of unused sick leave equals one year of service credit ($250 \times 0.004 = 1$ year)
 - Approximately 21 years ($2,000\text{hrs}/96\text{hrs per year} = 20.83$ years) of unused sick leave accumulates to one year of service credit

Benefit Factor (BF)

- **Benefit Factor: coefficient (%)**
 - Dependent on age
 - Dependent on member's tier classification
 - 1st Tier
 - 2nd Tier: hired after 1/15/2011 and CalPERS member by 12/31/2012
 - 3rd Tier: CalPERS member after 1/1/2013

1st Tier

RETIREMENT FORMULAS AND BENEFIT FACTORS

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

1.1% @ 50;
2% @ 55;
2.5% @ 63;



CalPERS PUB 6

2% at Age 55 Benefit Formula Minimum Age for Retirement 50				
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%	—	—	—

2nd Tier

1.092% @ 50;
1.46% @ 55;
2.418 @ 63;



CalPERS PUB 6

RETIREMENT FORMULAS AND BENEFIT FACTORS

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

2% at Age 60 Benefit Formula Minimum Age for Retirement 50				
Age	Exact Year	¼ Year	½ Year	¾ Year
50	1.092%	1.108%	1.124%	1.140%
51	1.156%	1.172%	1.190%	1.206%
52	1.224%	1.242%	1.260%	1.278%
53	1.296%	1.316%	1.336%	1.356%
54	1.376%	1.396%	1.418%	1.438%
55	1.460%	1.482%	1.506%	1.528%
56	1.552%	1.576%	1.600%	1.626%
57	1.650%	1.678%	1.704%	1.730%
58	1.758%	1.786%	1.816%	1.846%
59	1.874%	1.906%	1.938%	1.970%
60	2.000%	2.034%	2.068%	2.100%
61	2.134%	2.168%	2.202%	2.238%
62	2.272%	2.308%	2.346%	2.382%
63 or older	2.418%	—	—	—

3rd Tier

1% @ 52;
 1.3% @ 55;
 2.1% @ 63;
 2.5% @ 67



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RETIREMENT FORMULAS AND BENEFIT FACTORS

The chart below shows how the benefit factor increases for each quarter year of age from 52 to 67.

2% at Age 62 Benefit Formula Minimum Age for Retirement 52 Membership Date on or after January 1, 2013				
Age	Exact Year	¼ Year	½ Year	¾ Year
52	1.000	1.025	1.050	1.075
53	1.100	1.125	1.150	1.175
54	1.200	1.225	1.250	1.275
55	1.300	1.325	1.350	1.375
56	1.400	1.425	1.450	1.475
57	1.500	1.525	1.550	1.575
58	1.600	1.625	1.650	1.675
59	1.700	1.725	1.750	1.775
60	1.800	1.825	1.850	1.875
61	1.900	1.925	1.950	1.975
62	2.000	2.025	2.050	2.075
63	2.100	2.125	2.150	2.175
64	2.200	2.225	2.250	2.275
65	2.300	2.325	2.350	2.375
66	2.400	2.425	2.450	2.475
67 or older	2.500	2.500	2.500	2.500

Final Compensation (FC)

- Highest full-time base salary
 - 1st Tier: average over any consecutive 12-month period
 - 2nd and 3rd Tiers: average over any consecutive 36-month period
- “Modified” Final Compensation
 - Final Monthly Compensation - \$133.33

Retirement Formula: Example I

- Unmodified Allowance
- 63 years old
- Pay rate: \$5,000/month
- 25 service credit years
- 1st Tier
 - $SC = 25$; $BF = 2.5\%$; $FC = (\$5,000 - \$133.33) = \$4,866.67$

$$UA = SC \times BF \times FC$$

$$UA = 25 \times 0.025 \times \$4,866.67 = \$3,041.67$$

- $UA = 62.5\% FC$

Retirement Formula: Example II

- Unmodified Allowance
- 63 years old
- Pay rate: \$5,000/month
- 25 service credit years
- 3rd Tier
 - $SC = 25$; $BF = 2.1\%$; $FC = (\$5,000 - \$133.33) = \$4,866.67$

$$UA = SC \times BF \times FC$$

$$UA = 25 \times 0.021 \times \$4,866.67 = \$2,555$$

- $UA = 52.5\%$ of FC

Survivor Continuance

- Survivor: Determined by State law (in order):
 - Spouse
 - Unmarried natural or adopted children under age 18, or a disabled child who was disabled prior to age 18 and continuously thereafter
 - Qualifying economically-dependent parents
- The CSU through CalPERS provides a Survivor Continuance Benefit
 - Monthly allowance to an eligible survivor following retiree's after retirement regardless of the retirement option
 - Amount is equal to $\frac{1}{4}$ of your Unmodified Allowance
- Survivor vs. Beneficiary
 - Beneficiary: Anyone of your choosing - not set by law

Retirement Options

- **Unmodified Allowance**
 - Highest allowance payable for life
 - No payment to beneficiary after death
- **Option I**
 - Slightly lower monthly allowance than the Unmodified Allowance.
 - Upon your death, any unused member contributions (if any) are paid to beneficiary in a lump sum

Retirement Options (cont'd)

- Options 2 and 3
 - Lower monthly payment than the Unmodified Allowance
 - Reduction based on both the member's life expectancy at retirement and the beneficiary's
 - The younger your beneficiary, the greater the reduction
 - Pop up provision: if the beneficiary dies before retiree, the allowance increases (pop up) to the Unmodified Allowance

- Options 2W and 3W
 - Slightly higher monthly benefits than Options 2 and 3
 - No pop up provision: If the beneficiary dies before the retiree, the allowance remains the same and does NOT increase to the Unmodified Allowance

Retirement Options (cont'd)

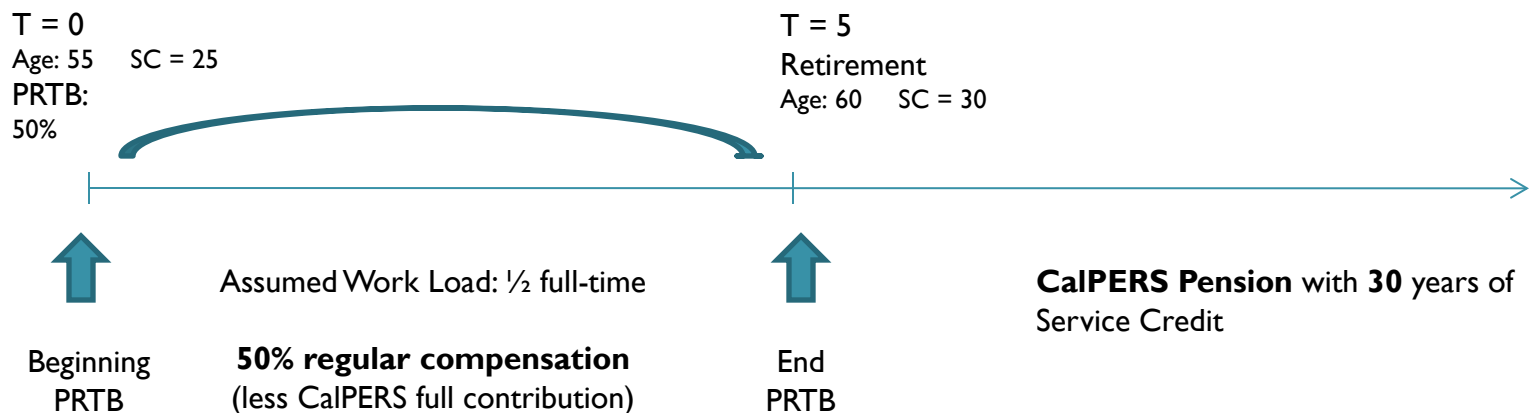
- Option 4
 - 2W or 3W & I combined
 - Additional choices:
 - Specific percentage to a beneficiary
 - Specific dollar amount to a beneficiary
 - Multiple lifetime beneficiaries
- CalPERS Retirement Calculator (Example)
 - <https://www.calpers.ca.gov/index.jsp?bc=/member/retirement/planning/estimate-calculator/home.xml>

Health Benefits and Retirement

- Lifetime Health and Dental Benefits after retirement
 - Eligibility:
 - Retirement at age 50 (52) or greater with at least five years of CalPERS service credit, and
 - Eligibility and enrollment in medical and dental benefits (health or FlexCash) at the time of separation from CSU employment, and
 - Retire within 120 days of separating from CSU employment
 - 100% CSU contribution
 - Dental Benefits
 - Dental coverage switched to Delta Basic (vs. Delta Enhanced)
- CSU Retiree Voluntary Vision Plan offered through VSP
 - Contribution
 - Retiree Only: \$6.33/Monthly
 - Retiree + One Dependent : \$11.76/Monthly
 - Retiree + Family: \$12.62/Monthly
 - <https://www.vsp.com/go/csuretirees>

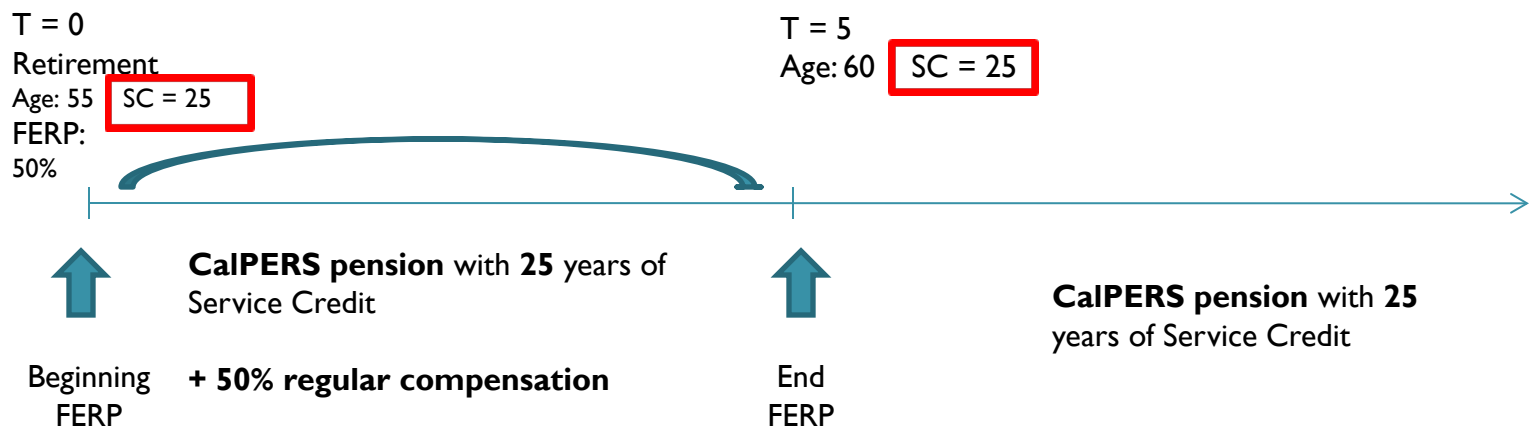
PRTB

- Pre-Retirement Reduction in Time Base program
 - Eligibility: >55 but <65
 - Duration: up to 5 years
 - Work Load: 1/3 or 1/2 or 2/3 of full-time
 - CALPERS status: not retired when PRTB



FERP

- Faculty Early Retirement Program
 - Eligibility: 55+
 - Duration: up to 5 years
 - Work Load: up to 50% regular time base
 - CALPERS status: retired when FERP



PRTB/FERP

- Calculator
 - <http://www.sjsu.edu/facultyaffairs/unit3/PRTBFERPcalculator/>



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