Retirement Fundamentals

RET101
Cal Poly Human Resources
Today’s Topics

• CalPERS Basics
• Purchasing Service Credit (Prior to Membership)
• Calculating My Pension
• Post-Retirement Benefits
• Power of Attorney
• Disability Retirement
• What Happens if I Die Before Retirement?
• Precautionary Retirement
• 403b, 401k, 457b plan options
CalPERS Basics
What is CalPERS?

CalPERS is a defined benefit retirement plan. It provides benefits based on members' years of service, age, and final compensation. In addition, benefits are provided for disability, death, and payments to survivors or beneficiaries of eligible members. Employees who are already PERS members are automatically enrolled in PERS.

Employees are vested after five years of credited service and are eligible to retire at age 50 (52 for New Members) with lifelong health and dental benefits for themselves and their eligible dependents.
CalPERS Eligibility

Eligible Staff and “12-month” Lecturers and Coaches
- Those who have an appointment with a time-base of half-time or greater for longer than 6 months.
- Hourly employees gain PERS membership after 1,000 hours.

Eligible “Academic Year” Faculty Employees
- Those working full-time and appointed for longer than six months.
- Temporary faculty members appointed for half-time or more become eligible with the start of the fourth consecutive quarter at half-time or more.
## CalPERS Formulas

<table>
<thead>
<tr>
<th>EMPLOYEES</th>
<th>FORMULA</th>
<th>EMPLOYEE CONTRIBUTION</th>
<th>EMPLOYER CONTRIBUTION</th>
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<tr>
<td>CSU Employees</td>
<td>2% at age 55</td>
<td>5% of gross pay over a $513 exclusion allowance</td>
<td>24.28% of gross pay</td>
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<tr>
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<td>2% at age 60</td>
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<tr>
<td>CSU Employees</td>
<td>2% at age 62</td>
<td>6% of gross pay</td>
<td>24.28% of gross pay</td>
</tr>
<tr>
<td>CSU Public Safety Employees (excluding MPPs)</td>
<td>3% at age 50</td>
<td>8% of gross pay paid for by Cal Poly</td>
<td>44.827% of gross pay</td>
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<tr>
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<td>2.5% at age 55</td>
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<tr>
<td>CSU Public Safety MPP Employees</td>
<td>3% at age 50 or</td>
<td>8% of gross pay over a $238 exclusion allowance</td>
<td>36.827% of gross pay</td>
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<tr>
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<td>2.5% at age 55</td>
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<tr>
<td>CSU Public Safety Employees (including MPPs)</td>
<td>2.7% at age 55</td>
<td>11% of gross pay</td>
<td>36.827% of gross pay</td>
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*As required by PEPRA (Public Employees Pension Reform Act), reflects 50% of the current "normal" cost rate. Normal cost rates are determined annually.*
CalPERS Compensation Limits

Classic Members
IRC 401(a)(17) caps the annual compensation that can be taken into account when determining contributions and benefits under tax qualified plans, which includes contributions toward CalPERS Retirement.

- Hired prior to 7/1/96: No limit
- Hired on or after 7/1/96: For 2014 limit is $260,000

New PEPRA CalPERS Members
AB 340 limits the annual compensation that can be taken into account when determining final pension.

- Subject to Social Security: $115,064
- Not Subject to Social Security: $138,077
CalPERS Compensation Limits

IRC Section 415(b)(1)(A) places a dollar limit on the annual benefit an individual can receive from a tax qualified pension plan such as CalPERS. In 2014 this amount is $210,000.
Purchasing Service Credit Prior to Membership
What is Service Prior to Membership?

- Worked for a CalPERS-covered employer before you became a CalPERS member (i.e. temporary positions less than full time and/or less than 6 months and 1 day in duration, temp/intermittent employees, lecturers).
- The cost for service prior to membership usually equates to the monies withheld while in the PST retirement fund (excludes UCDC monies withheld).
Service Prior to Membership
Application Process

• Employees must submit the following:
  – An online estimate
  – Application

• Employee will receive a purchase packet from CalPERS. Employee will have 60 days from date of letter to submit to CalPERS.

• May take up to 6 months for CalPERS to complete package.
Calculating My Pension
Service Retirement

- Three factors are used to calculate your monthly service retirement benefit: years of service, your final compensation, and your benefit factor (based on your age).

- Final compensation is your highest average full-time monthly pay rate for a 1-year or 3-year period based on membership date.

- The benefit factor is determined by your age at retirement. It is the percent of your final compensation you receive for each year of service.
## Service Retirement

### 2% at Age 50 Benefit Formula
**Minimum Age for Retirement 50**
Membership Date prior to January 15, 2011
12 Consecutive Months Highest Compensation

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<tr>
<th>Age</th>
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### 2% at Age 60 Benefit Formula
**Minimum Age for Retirement 50**
Membership Date January 15, 2011 - December 31, 2012
36 Month Highest Compensation

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Service Retirement

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<tr>
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<td>2.500%</td>
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*Due to PEPRA regulations CSU employees hired after 1/1/13 have a cap on their retirement compensation. PEPRA places a limit on the amount of compensation that can be used in the calculation of retirement benefits paid from the CalPERS retirement lan. The 2014 calendar year compensation limits are as follows:

- $115,064 for employees subject to Social Security
- $138,077 for employees who are not subject to Social Security*
Service Retirement Example

Formula: 2% @ 55
Age: 57 1/4
Years of Service: 20
1 Year Highest Average Compensation (monthly): $3,000
Benefit Factor: 2.142% (Based on age: 57 1/4)

Calculation

$3000 - $133.33 (offset for Social Security) = $2866.67
$2866.67 x (20 x 2.142%) = $1228/month (unmodified option)
Post Retirement Benefits
Post Retirement Benefits

- Health Benefit and Basic Dental Continues into retirement
- Vision (employee paid)
- Able to change/delete/add during the open enrollment period.
- If Medicare age, CalPERS will reimburse for the cost of Medicare.
CalPERS Power of Attorney
What is CalPERS Power of Attorney?

- The CalPERS power of attorney is a special power of attorney, which authorizes your attorney-in-fact to handle only your CalPERS retirement affairs.

- Employees should have a CalPERS Power of Attorney in place in the event they are incapacitated (durability clause).

- If a non-CalPERS Power of Attorney exists, the employee must be sure that this covers financial situations specifically having to do with CalPERS retirement decisions.

- There is no cost associated with a CalPERS Power of Attorney.

- Spouses/Domestic Partners are not automatically given rights to make decision on behalf of their spouse/domestic partner.
Power of Attorney (Cont.)

• An employee can designate a person to do any mix of the following options on their behalf:
  – Select a payment option concerning their retirement
  – Designate/change a beneficiary
  – Designate him/herself as beneficiary

• The CalPERS Special Power of Attorney only applies to CalPERS, it is not binding with any other financial/legal matters.

• Requires two witness or a notarization.
Disability Retirement
Disability Retirement

- Must be vested.
- No age requirement.
- Must be unable to perform essential job functions (determined by CalPERS).
- CalPERS has final say on approval/denial.
- Preserves job if disability ceases.
- Employees are given a benefit based on the number of service credit years they have. For some a service retirement may be more beneficial.
What Happens if I Die Before I Retire?
What Happens if I Die Before I Retire?

- If married/domestic partnership; spouse/domestic partner has option of a lump sum payout or option 2W (Must be retirement age and vested).
- If single; payout of employee’s contribution, plus interest, to beneficiary in lump sum. If none are listed, payment will occur in the following manner:
  - Spouse/registered domestic partner
  - Children
  - Parents
  - Brothers and Sisters
  - Estate if probated
  - Trust
  - Next of kin as provided by law
- $5,000 death benefit.
Precautionary Retirement

- If an employee is undergoing life threatening surgery, it is in their interest to contact HR for the submission of a precautionary retirement. This will preserve their benefits in the event of their death for a spouse/domestic partner (children also).

- Employee must be vested.

- Employee does not have to be of retirement age.
403(b), 401(k), 457(b) Plan Options
Voluntary Retirement Savings Plans

The following programs allow eligible employees to save toward retirement by investing pre-tax contributions in tax-deferred investments (457/401K allow for post-tax contributions). These contributions are made through payroll deductions, prior to federal and state taxes being calculated.

- Tax Shelter Annuity – 403(b)
- Deferred Compensation Plan – (457)
- Thrift Plan – 401(k)
Questions?

The Benefits website has more information and useful links!

http://afd.calpoly.edu/hr/benefits.asp?pid=3

Human Resources Benefits Offices are located in the Administration Building, Room 110
(805) 756-5436

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