Retirement Basics

Everything You Need to Navigate Your Retirement Exclusively for Part-time Faculty

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PT Retirement Options

- STRS: State Teacher’s Retirement System
  Defined Benefit Plan
  AND
- Social Security or negotiated alternative
  STRS Cash Balance
  Or other plan
State Teachers Retirement System

- **Defined Benefit:** a full defined plan which is available to ALL teachers regardless of status as FT or PT. Must be made available in all districts. Best plan for career-oriented faculty who teach in multiple districts or larger loads.

**Negotiable Options:**

- **Cash Balance:** a hybrid defined benefit plan, available to PT faculty only
- Both may affect Social Security benefits for primary and survivor: WEP & GPO
- Social Security or other plans as at least one alternate
STRS Cash Balance Plan

- **STRS Cash Balance**
  - employee contributes 4% (negotiable)
  - employer contributes 4%
  - you may also contribute/roll money into this plan from other retirement accounts such as a defunct IRA

- **Immediate vesting:** No Service Credit

- **Cash Out** if leave teaching
  - over 55 – immediate
  - under 55 – 6 month waiting period

- Convertible to STRS DB service credit

- Lacks COLA, Buying power; but protected
Retiring with Cash Balance

- Choices include:
  1. Roll into a private annuity or IRA
  2. Cash out lump sum [pay all tax]
  3. STRS annuity [life or time specific – see the DBS calculator]

- Typical life annuity: $50,000 at age 65 pays approx. $410 a month with no COLA.

- 6 month wait [break in service] before returning to teaching in a STRS system
OPT IN or OUT of CB

- **Stay in CB if appropriate for your teaching load and future:** typically low load or occasional assignments or do not expect to vest in the DB system of 5 FTE years of service

- **Move from CB to DB:** Roll your CB money into the DB plan to retrieve service credit and gain other DB benefits

- You can roll other retirement money into CB such as a defunct 401(k), 403(b), IRA or other retirement account for which you no longer contribute.
**Change from CB to DB**

You should consider changing if you:

1. plan on being a career teacher or foresee your ability to vest 5 FTE years.
2. teach 40% or more each semester
3. work in more than one district (you should be in the same plan in all districts)
4. want a larger life-time STRS pension benefits and want to convert unused sick leave hours.
Account Consolidation: CB to DB

- You would need to become a DB member
- You would request an account consolidation
- STRS will compute the cost of consolidation in using the CB account to purchase those years of service credit
- Formula: “earnable” X permissive % rate = cost of 1 year of service credit
- “annual earnable” = FTE X hourly pay rate
Options

- Two options to use CB money to purchase DB service credit:
  - 1. money in account buys direct SC as much as will cover [approx. \( \frac{1}{2} \) of actual]
  - 2. total service credit converted to cost using CB money + secondary source or paid in installments as per a permissive purchase of service credit process
**STRS Defined Benefit Plan**

- **Required for all FT K-14 teachers and an option for all PT/hourly teachers**

- **STRS Defined Benefit**
  - 8% employee contribution
  - 8.25% employer contribution
  - 0.25% sick leave conversion
  - VEST: 5 years FTE service credit

- **Monthly Retirement based upon formula**
  \[ SC \times \text{age factor} \times \frac{\text{annual earnable}}{12} \]
DB Retirement Formula

- Three parts to the DB retirement formula:

  \[ SC \times \text{age factor} \times \frac{\text{final earnable}}{12} \]

  **Service Credit**: history of work record based upon load as computed and reported to STRS from payroll.

  **Age Factor**: a factor dependent upon age at time of retirement as per STRS Handbook.

  **Final Earnable/12**: highest 3 consecutive FTE earnable salary years divided by 12 for monthly benefit.
Part 1: Service Credit

- STRS Converts monthly income into SERVICE CREDIT based upon your FTE annualized earnable salary.

- **SERVICE CREDIT = FTE years of service**
  Reflects % of teaching/work load history

- This can include office time, substituting, summer and intersession work, unused sick leave at end of career, redeposit from previous STRS work, Cash Balance account consolidation and the purchase of more service credit from previous creditable work in CA or out of state.
### Service Credit Costs

- This scale is used for general permissive purchase of creditable service credit & Cash Balance buying of service credit.

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<td>18.8%</td>
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<td>23.9%</td>
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<td>60 +</td>
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Sick Leave Hour Conversion

- Unused Sick Leave is converted and added to your service credit history only at time of retirement (only available for DB members) via an Express Benefits Form submitted by the district.

- 6 hours = 1 SC day [Ed Code 22717]

- Example: 525 hours [1 FTE year] converts by dividing by 6 = 85 days
  An academic year = 85/175 days = 0.5 SC

- You can/should move accrued sick leave from previous districts to current. A final report will go to STRS only from final district(s) in which you work at time of retirement application.
Part 2: Age Factor

- **Age Factor** is a Pre-determined factor in STRS handbook used at time of retirement to compute benefit.

- **Examples of factors:**
  - age 55 = 1.4
  - age 60 = 2.0
  - age 63 = 2.4 [maximum]

- **Earliest retirement age** = 55
Part 3: Final Compensation

- Compensation Earnable is average of 3 final years FTE salary or 3 highest earnable consecutive years.

- Earnable is not actual earnings, it is what you would earn if you were working FT at 100% load in a normal assignment (includes office time if paid as part of assignment)
Computing the benefit

- Service credit X age factor X final compensation = “unmodified benefit”

- Check your Service Credit record and project work load to retirement age plus sick leave hours.

- Check STRS book for age factor for the projected age you want to retire.

- Calculate approximate Final earnable income [div. by 12]; use STRS calculator

- STRS annual report will have projected benefits
Example: Basic Retirement

- History: 25 years employment at 60% load equates to 15 years service credit
- Age 65 equals 2.4 age factor
- Final compensation earnable:
  - $25,000 earnings @.60 = $41,666
  - Earnable divide by 12 = $3472 monthly
- 15 yrs. SC X 2.4 age X $3472 = $1250 unmodified monthly benefit
STRS DB Benefits

- **Survivor Benefits and Beneficiaries**
- **Disability Retirement** [once vested]
- **Inflation Protection** [85% buying power]
- **COLA**: 2% simple
- CB to DB conversion, re-deposits, permissive purchase of previous creditable time, sick leave conversion
- **Pension2**: Various savings program options
- **DBS**: STRS Defined Benefit Supplement account
- Ed Code 7000-7008: allows PT faculty members who retire in STRS to remain in district health care if meet district eligibility requirements [AB528 (Elder)] at their own expense for the premium
**DB Supplement Account**

- **Defined Benefit Supplement Account**
  Account for any work over 100% annual load

- The DBS Account is a secondary savings account similar to Cash Balance

- If the DBS account is more than $3500 then it can be paid out as an added benefit as a time specific or life annuity or cashed out at retirement.
AB 1586

- Law to fix PT retirees whose service record predates 1996.
- STRS will compute years of service before 1996 and years of service after 1996 and give the PT member the best retirement based upon their service record.
- This is currently computed by specialized pension analysts.
- Currently 21,000 PT in this category

- Affects current and new members of public employee systems: PERS and STRS
- Written in a bi-partisan committee as an un-amendable bill.
- STRS working on clarification language
Current Members

- Three years final earnable for final compensation
- 180 day $0 earnings limitation after date of retirement
- Earnings limitation raised to % of average
- No retroactive benefit enhancements
- No pension holidays
- Felony penalty for loss of benefits
- Contribution rate remains at 8%, but can change based upon Legislation
Retire and Return

- All STRS DB (and CB) members will have a 180 day or 6 month $0 earnings period to return.
- Earning limitations ½ of average final compensation earning/earnable (changes annually)
- No longer earn SC, no longer pay into STRS
- You may return, receive pension and collect unemployment for part-time work upon returning
- You can return to membership, stop pension, add SC, but must work 1 year before applying to retire again
New Employees

- New means never performed STRS creditable service before January 1, 2013
- Normal retirement age moves from 60 to 62 at age factor 2%, max. age factor moves to 65 (2.4)
- Minimum age increased to 55 (was 50 if 30 yrs service)
- Compensation cap of 120% of Soc. Sec. maximum wage base [approx. $133,000]
- Benefits on base salary (does not include over-load or special stipends)
- Equal contributions based upon normal cost
STRS DB Pension Facts

1. Teachers (employee) invest 8%
2. District (employer) invests 8.25%
3. State invests 2.5%
4. Bulk of STRS funding, 55%, comes from investments
5. Average pension is $3,936/month
6. Total STRS members 862,192
7. Number retiring in 2012 were 13,619
More Facts

- General replacement ratio for new retirees is 59% of final year compensation
- Average years of service credit is 24.4
- Average age a teacher retirees is 62
- 65% of STRS retirees are female
- The typical pension with 27 years of service at age 63 is 65% of salary
- [compared to police with 50 years and 90% of salary AND Social Security]
STRS Unfunded Liability

- STRS unfunded liability means that if STRS did nothing starting today to increase funding by contributions or projected investments, the fund would run out in 2042.
- Pensions are protected under CA constitution
- Legislature needs to make law to change contribution rates
- Current funding is at 67%, a well funded DB plan is over 80% fully funded.
- Likely scenario is a slow increase in district and member contributions --- to do this faculty would get a new benefit.
STRS/FACCC Contacts

- STRS website [www.calstrs.com](http://www.calstrs.com) for information, calculators, forms and statements
- STRS Ombudsman: Tom Barrett
tbarrett@calstrs.com
- STRS toll-free phone: 800-228-5453
  Call to request CB to DB conversion request form or have a membership review.
- Deborah Shanks, FACCC Retirement Committee
deborahadahl@aol.com; (510) 724-2631
Social Security

- Social Security benefits can be affected by any public pension
- STRS benefits will off-set a Social Security pension or spousal benefit if less than 30 years substantial earnings
- There is a sliding scale of off-set from 20 to 30 years substantial earnings
- These are called the WEP and GPO
WEP and GPO Off-sets

- WEP: Windfall Elimination Provision (employee)
- WEP cannot be more than 1/2 of STRS benefit
- There is also a sliding scale on this off-set based on the original SS benefit. The lower the benefit, the less the off-set
- The maximum off-set of no more than $381.00 is set by Congress each year and listed in one’s annual Social Security Statement or online.
- GPO: Government Pension Off-set (survivor benefit) is also affected by this provision, but it does not have a protection clause
Calculating WEP

Calculating WEP is one of the most complex of the Social Security entitlement provisions. There is, however, a chart that shows how your benefits can be affected by WEP on the Social Security website.

http://www.socialsecurity.gov/retire2/wep-chart.htm
Calculating GPO

• Affects Spousal Benefits of FT private sector employees whose spouses are in the public sector.

• At age 65 spouse receives 50% of PIA “Primary Insurance Amount”

• Social Security spousal and widow benefit reduced by 2/3 of the STRS pension
What Next?

- Knowledge is Power: Be Informed
- Know your Options: Ask Questions
- Consider where you are now & plan for the future
- Support the organizations who advocate for your rights
- Attend a workshop and learn more
The End

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