From First Hire to Final Semester:
What Faculty Need to Know About Retirement

By the FACCC Retirement Committee

Are you 29 and starting to think about retirement? Are you 59 and starting to think about retirement? Regardless of your age, now is a good time to consider your plans. Retirement isn't just about finances; it's about life goals. Whether retirement is just around the corner or still far off, there are important decisions to make. FACCC cannot provide financial advice, so use this as a starting point for conversations with your professional advisors.

When planning for retirement, it's helpful to begin with your life goals and financial obligations. Your goals will shape your financial needs, whether that's traveling, pursuing a hobby, or continuing to teach. For some, retirement is a chance to rest and reclaim the sleep and quality time lost to long nights of grading. Others may see it as an opportunity to pursue big (and expensive) dreams. Perhaps you'll continue teaching part-time after retirement.

Additionally, consider the expenses you'll still carry after you retire, such as a mortgage, children's tuition, or health care. Retiree health benefits are rare in California, so check with your Human Resources (HR) department to see what, if anything, is available to you and your dependents. Create a list of your goals and anticipated expenses (don't forget to account for inflation), and use it as a basis for conversations with your advisors.

Before any real planning can begin, you'll need to find out which retirement plan you're enrolled in. Many community college faculty members don't realize that, by law, they must be placed into a retirement plan when they are first hired. Among the paperwork you fill out when visiting your college's HR department is a document relating to your retirement choices. Ask yourself:

- Do I know which retirement plan I'm in?
- Do I understand the differences between plans?

If your answers are "no," you're not alone. This is the most crucial financial element, directly related to your retirement, especially for part-time faculty. Different districts often have different retirement plan options for part-time faculty, so if you work across a variety of colleges, review your paperwork carefully.

Most full-time faculty are placed into the CalSTRS Defined Benefit (DB) Plan, and all part-time faculty

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have the option to enroll in it. The CalSTRS DB plan is a proper pension plan that provides a guaranteed benefit each month for the rest of your life, based on your age at retirement, your accrued number of years of service in the system, and your final salary.

The details are essential in estimating your income as a retiree under this plan. It is important to understand that you must have the equivalent of five full years of service before you "vest" and become qualified for the ongoing pension payout. Once you choose CalSTRS DB, you cannot change to a different retirement plan. Suppose you accrue less than the equivalent of five full years of service and you decide to stop CalSTRS-eligible employment. In that case, you are eligible to receive your contributions plus interest on those contributions.

Most full-time faculty stay in the system long enough to earn the five years of service credit needed for vesting in the DB plan, but part-time faculty face unique challenges. For example, if a part-time faculty member is assigned 40% of a full-time load each year at a single college, it would take 12.5 years to accumulate five years of service credit. Part-time faculty members who have assignments at multiple districts and regularly receive assignments over intersessions may reach the vesting requirement sooner, but the unpredictability makes planning especially important.

If you're enrolled in the DB plan, you and the State of California both contribute just over 10% of your salary, while your district contributes a little over 19%. If you work more than a "full-time" load in any given year, the contributions go into a Defined Benefit Supplemental account, which provides additional guaranteed income in retirement. There are two different benefit structures within the DB plan: STRS 2% at age 60 and STRS 2% at age 62. Make sure you understand which one applies to you.

In the DB plan, three factors determine the monthly payment you receive in retirement:

- **Age:** A number between 1.1 and 2.4 that gets larger depending on your CalSTRS retirement age.
- **Service credit:** A value for the number of years (or fractions of years) that you worked and contributed to the DB Plan. It can also include unused sick leave, so be sure each district reports your unused sick leave to CalSTRS upon retirement.
- **Final compensation:** This is the highest average salary over 36 consecutive months (or 12 if you're in the 2% tier at age 60 with 25 years of service credit). For part-time faculty, this may be calculated across multiple districts, which can make the math complicated and, in some cases, reduce your benefit if lower-paid assignments are included. The CalSTRS website and handbook have several example calculations, so we encourage you to review them.

In many districts, part-time faculty are offered two or more retirement plan options during the hiring process. In addition to the DB plan, districts may provide other options, such as Social Security benefits, the CalSTRS Cash Balance plan, or another pre-tax cash-saving plan such as "Apple" or "PARS". Depending on your career goals, each may present some advantages and disadvantages.

For part-time faculty who don't expect to accumulate enough service credit in the DB plan, the CalSTRS Cash Balance (CB) plan, if available, may be a better option. In the CB plan, the member and the district each contribute 4% of the employee's gross salary

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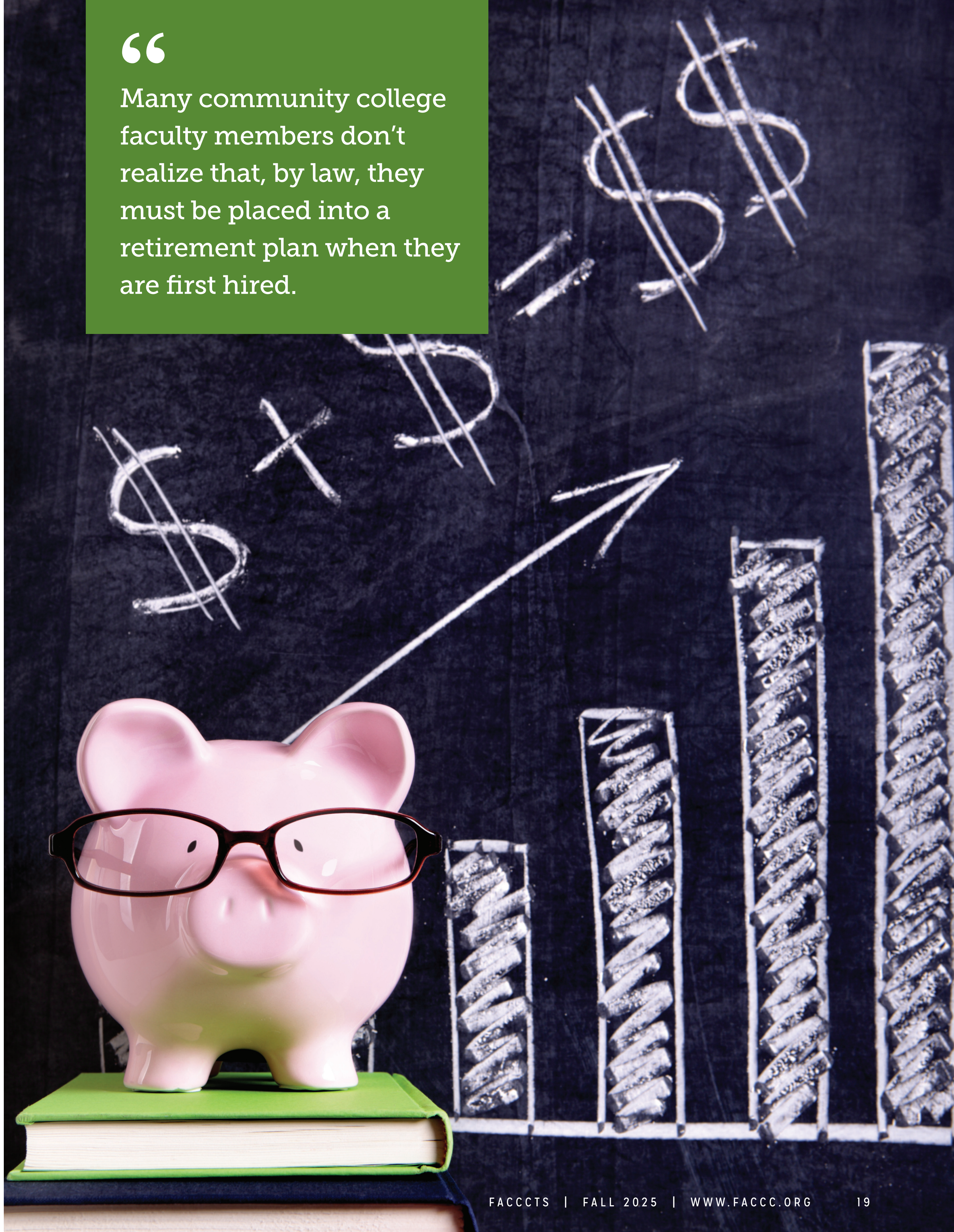

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into an account that works like a savings account. The account earns a guaranteed interest rate based on a 12-month average of the 30-year U.S. Treasury rate, along with additional interest determined by the general CalSTRS fund performance. The faculty member vests immediately. All of the money belongs to the account holder. Upon retirement, the retiree can withdraw the balance or convert it to a monthly annuity if the balance is at least $3,500.

As an alternative to the CB plan (or other pre-tax cash savings plans), some districts may offer Social Security to part-time faculty. With Social Security, the member and the college district each contribute 6.2% of the employee's gross salary, and the individual becomes vested after reaching 40 quarter-years (10 years) in the system. Once vested, Social Security functions like a defined benefit plan, offering a guaranteed monthly benefit based on a formula that uses one's average annual earnings. If you don't meet that threshold, you won't receive a refund of your contributions. These options can be good alternatives if you don't expect to reach the CalSTRS DB vesting requirement, but the differences between them are significant, so review them carefully.

If you are a new full-time faculty member who previously worked in a CalPERS (California Public Employees' Retirement System)-eligible position, such as a classified professional or a CSU employee, you may qualify to remain in CalPERS if you meet certain criteria. There is a short window to make this selection, so check quickly.

Beyond retirement, it is crucial to consider additional savings. Retirement plans alone rarely provide enough income to maintain your standard of living. Options like 403(b) or 457 accounts (pre-tax) or Roth IRAs (after-tax) can help diversify your retirement savings. Even small contributions add up over time.

As you near retirement, consider both timing and your family's needs. Retiring too early may leave you short on resources in the long run; waiting too long could limit the time you have to enjoy your retirement goals. Review your beneficiary designations, wills, and healthcare directives to ensure your wishes are clear. Don't forget that unused sick leave can boost your service credit. Also, consult with your local Human Resources (HR) department or a union representative to determine whether your district offers any post-retirement benefits that you might be unaware of. Entering retirement is a significant transition, but with early planning, you can establish a secure foundation. Utilize the resources you have available to you: HR, financial advisors, colleagues, your local union, and FACCC. ■