

# Benefit Basics

**Disclaimer:** *CalPERS is governed by the **Public Employees' Retirement Law (PERL)**. The statements in this document are general. The Retirement Law is complex and subject to change. If there is a conflict between the law and this document, any decisions will be based on the law and not this document.*

## Agenda

This presentation covers information on:

- Retirement Types
- Your Retirement Calculation
- Retirement Payment Options
- Power of Attorney
- Leaving Your Employer
- Online Resources

## CalPERS Pension

CalPERS is a 401(a) Defined Benefit Plan. This means that your benefit amount is determined by a formula and not what you contribute to the plan. When you retire, your benefit is payable for life. CalPERS is the administrator of the defined benefit plan and manages the funds. There are also benefits available for disability and death.

Your pension comes from three sources:

1. Investment returns
2. Employer contributions
3. Your contributions

## Classic vs New Member

The Public Employees' Pension Reform Act (PEPRA) changed the way CalPERS benefits are applied for those who become a "new" member as of January 1, 2013. "Classic" applies if you became a CalPERS member prior to January 1, 2013.

Classic Member:

If you move to another California public employer within six months, you retain classic member status and are under the benefits that were in place prior to January 1, 2013.

State agencies, including California State University (CSU) are considered one single employer and all California schools including community colleges are considered one employer. If you move from one state agency or CSU to another or one school district to another, the 6-month break would not apply. You retain classic member status, and your CalPERS retirement benefits won't change.

## New Member:

Pension reform became effective on January 1, 2013 for those who come into membership on or after that date.

If you're a new member you:

- Were brought into CalPERS membership with no prior membership in any California public retirement system.
- Established CalPERS membership prior to January 1, 2013, and you then were rehired by a different CalPERS employer after a break in service of **greater** than six months.

New members have different formulas and may have a limit on the final compensation amount that can be used to calculate their pension. Visit [www.calpers.ca.gov/PEPRA](http://www.calpers.ca.gov/PEPRA) for more information.

## Retirement Types

There are three types of retirement:

- **Service** – This is the “normal” or “regular” retirement for members who have met the eligibility requirements. You must be at least age 50 with five years, or if hired on or after January 1, 2013, you must be at least age 52 with five years of service credit. For safety members, the minimum requirement is still age 50 with five years.
- **Disability** – This is for members who can no longer perform their usual job duties due to injury or illness that is expected to be permanent or last longer than twelve months. The disability does not have to be job related. There is no age requirement, but you must have at least five years of service credit.

**Note:** If you've worked part-time for five consecutive years but have earned less than five years of service credit, you still may be eligible to apply for a service retirement or disability.

- **Industrial Disability** – No age or service credit requirement but the disability must be job related. This type of retirement is usually only available to safety member such as police officers or firefighters, or for members whose employer contracts for this benefit.
- For more information on service retirement, review *Service Retirement Election Application* (PUB 43). For disability or industrial disability, review *Disability Retirement Election Application* (PUB 35).

## Your Retirement Calculation

Your pension calculation is made up of three factors.

1. Service Credit (years of service)
2. Benefit Factor (percent of final compensation based on your age at retirement)
3. Final Compensation (an average of your highest monthly pay rate)

When you retire, we'll multiply your years of service credit by your benefit factor, then multiply that result by your final compensation which gives your unmodified allowance. The unmodified allowance is the pension you earn over your career and is the highest amount you can receive when you retire.

**Service Credit**

When you work for a CalPERS employer, you're earning service credit. You accrue service credit based on how you're paid. If you're paid:

- Hourly – 1,720 hours full time work equals one year of service credit
- Daily – 215 days full time work equals one year of service credit
- Monthly – 10 months full time work equals one year of service credit

You earn service credit on a fiscal year basis from July 1 through June 30. If you earn anything less than this, then you're credited with a partial year.

The examples below are based on a member who is paid a monthly pay rate.

**Example: Full Time (start of fiscal year)**

Jul	Aug	Sep	Oct	Nov	Dec
0.1	0.1	0.1	0.1	0.1	0.1

Jan	Feb	Mar	Apr	May	Jun
0.1	0.1	0.1	0.1	X	X

Total = 1.0 year

If you begin July 1, and work full time, you earn one tenth of a year each month. You'll have 10 tenths by the end of April equaling one full year. You won't earn service credit in May or June.

**Example: Full Time (start later in fiscal year)**

Jul	Aug	Sep	Oct	Nov	Dec
				0.05	0.1

Jan	Feb	Mar	Apr	May	Jun
0.1	0.1	0.1	0.1	0.1	0.1

Total = 0.75 year

If you begin work in the middle of a fiscal year, for example halfway through November, you earn .05 or half a month of service credit. You then continue to earn a full month of service credit the rest of the year including May and June.

If paid bi-weekly, you'll have to work a few days into May before you earn one full year of service credit.

## Ways to Increase Your Retirement

### Service Credit Purchase Options

There are several types of service credit you may be eligible to purchase.

- **Redeposit of Withdrawn Contributions** - If you were previously a CalPERS member, left your CalPERS-covered employer, and took a refund of your contributions and interest, once you come back into membership, you may be eligible to redeposit these funds and restore that time.
- **Service Prior to Membership** – If you worked for a CalPERS covered employer in a position that did not qualify you for membership at the time, such as a permanent/intermittent, part-time, temporary, on-call, or seasonal position, you may be able to purchase Service Prior to Membership.
- **Military Service** - Members who have served in active military service may be able to purchase up to 4 years of Military Service Credit.
- **Other Types of Service Credit** - There are also several less common, for example certain types of Leaves of Absence, Optional Member Service, Prior Service, Alternate Retirement Program, or time under CETA or spent in the Peace Corps.

It's important to know that in most cases, the more service credit you have the higher your pension.

Exceptions may include retiring on a disability retirement or if you're a safety member with a benefit cap.

The earlier you purchase your service credit the better. Not only will the cost be lower, but you can plan to have it paid off well before you retire. Service credit purchased **after** January 1, 2020, must be paid in full prior to your retirement date. If the amount is not paid in full, your monthly benefit will be reduced by the Actuarial Equivalent Reduction (AER). The AER takes your balance due and spreads it out over an actuarial lifetime.

1. Review ***CalPERS Service Credit Purchase Options*** (PUB 12) or, for military service, review ***Military Service Credit Options*** (PUB 15) which provides the types of service credit available, eligibility for each type, and what is needed to submit a request. These publications are found on our website.
2. There are two ways you can submit your request:
  - a. You can submit a request through your **my.calpers.ca.gov** account. Before submitting your request, you'll see an estimate of the cost and approximately how much your unmodified allowance may be increased.
  - b. You can complete and mail the appropriate request form.
3. Submit your request as soon as possible.

Use the Retirement Estimate Calculator to see the difference purchasing service credit would make to your monthly benefit.

## Sick Leave Conversion

Accrued sick leave can be converted to service credit at the time of your retirement. Sick leave service credit does not change your age at retirement or your effective retirement date. It simply increases the amount of service credit used in determining your retirement benefit.

All state and school members are eligible to convert sick leave to service credit. Public agency members are eligible only if their employers' contract for this benefit. To have sick leave converted you must retire within 120 days of separation from your CalPERS employer.

2000 hours equals one year of service credit. To find out how much service credit your sick leave will provide, divide your sick leave hours by 2000. Vacation and other types of leave time such as compensatory time off (CTO), personal or annual leave, and holiday credits cannot be converted. Check with your employer regarding how these types of leave credits will be dealt with.

### State Second Tier Conversion

If you're a state miscellaneous or industrial member, you're in one of two categories, First Tier or Second Tier. This is only applicable to you if you're a **State of California** employee. You can increase your retirement benefit by converting any Second Tier service you have to First Tier.

First Tier members:

- Are eligible for retirement at:
  - Age 50 with 5 years of service credit (became a member prior to January 1, 2013) or
  - Age 52 with 5 years of service credit (became a member on or after January 1, 2013)
- Make higher CalPERS member contributions while they work
- At retirement have a higher benefit factor used in their pension calculation

Second Tier members:

- Are eligible to retire at age 55 with 10 years of service credit
- Make lower CalPERS member contributions while they work
- Have a lower benefit factor used in their pension calculation
- Review the ***State Miscellaneous & Industrial Members Second Tier Benefit Election Package*** (PUB 52) for more information about converting your time.

## Benefit Factors and Your Retirement Formula

The second part of your calculation is your benefit factor which is the percentage of pay you're entitled to for each year of service credit based on your age at retirement. Benefit factors start at age 50 or 52, depending on your employer's formula and when you became a member.

Your retirement formula is based on your employer's contract with us and when you were hired. This determines the range of benefits available to you.

If you worked for more than one CalPERS employer, you may have more than one retirement formula. We'll calculate each separately based on the service credit earned under each retirement formula and then add the results together.

Most benefit factors increase with each quarter year of age based on your birthday. For example, if your birthday is March 10, your birthday quarters are:

- Birthday – March 10
- ¼ year – June 10
- ½ year – September 10
- ¾ year – December 10

Note: The safety formula 3% at 50 does not change with age.

### Benefit Factor Chart Example

State or Schools Miscellaneous 2% at 55

Age	Birthday 3/10	¼ Year 6/10	½ Year 9/10	¾ Year 12/10
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+	2.500%	2.500%	2.500%	2.500%

If you are unsure of your formula, you can find it on your **Home** page in your myCalPERS account or check with your employer. Once you know your formula, find your **benefit factor chart** on our website.

### Final Compensation

Compensation is payment you receive for service performed during normal work hours. The final compensation calculation is based on your highest average full-time monthly pay rate over the highest 12 or 36 consecutive month period depending on your employer's contract. There are also certain types of special compensation that may be included, such as special skills, etc. Overtime cannot be used for final

compensation. If you work part-time, we still use a full-time equivalent pay rate to determine your final compensation, but you're still earning less service credit.

If you're a safety member, you may have a cap on the percentage of final compensation you can receive.

**Example: 12-month Final Compensation Calculation – Retirement date 11/1/2025**

Date	Pay Rate	Total Pay
11/1/24– 4/30/25	\$4,400 x 6 months =	\$ 26,400
5/1/25– 10/31/25	\$4,600 x 6 months =	+\$ 27,600
		\$ 54,000 ÷ 12 months
		<b>\$ 4,500 final compensation</b>

**Putting it all Together - Your Retirement Calculation**

Your pension calculation is made up of the three factors just covered:

Service Credit x Benefit Factor x Final Compensation = Unmodified Allowance

**Example:**

A member is retiring at age 55 under the Miscellaneous 2% @ 55 formula with 25 years of service credit. Their final compensation average is \$4,500.00 a month.

First, multiply the years of service credit by the benefit factor. Then multiply that result by the final compensation to get the unmodified allowance:

25 years x 2% benefit factor = 50%

50% x \$4,500.00 final compensation = \$2,250.00 unmodified allowance or pension.

Note: The unmodified allowance is the highest amount payable when you retire.

**Retirement Payment Options**

An important step in the retirement process is choosing your retirement payment option. You can choose to provide a lump sum or lifetime monthly benefit to your beneficiaries upon your death in retirement.

Your choices are:

- Unmodified Allowance - Your full pension, which leaves nothing for a beneficiary
- Return of your remaining contributions to your beneficiary in a lump sum
- 100 or 50 percent of your monthly lifetime benefit
- A specific dollar amount or percentage to one or more persons

**Survivor Continuance**

Survivor continuance provides a monthly benefit after your death in retirement to an eligible survivor.

Your employer pays for the benefit at no cost to you.

This benefit is provided by law to all state and school members. If you're a public agency member, your employer must contract to provide this benefit.

The terms "beneficiary" and "survivor" may sound like the same thing, but at CalPERS they have two distinct meanings. A beneficiary can be anyone of your choosing and is not set by law, but a survivor is determined by state law.

#### Eligible Survivors

An eligible survivor is defined by law in order of:

1. A spouse or registered domestic partner to whom you were married or registered with the Secretary of State at least one year prior to your retirement
2. Unmarried children under age 18
3. Unmarried children who became disabled prior to age 18. These children must be continuously disabled by the same condition thereafter and incapable of gainful employment.
4. Parents who are economically dependent upon you for more than one-half of their support.

If you don't have an eligible survivor, the benefit is not paid to anyone.

#### Benefit Amount

The amount received by your survivor is based on whether you contribute to Social Security with your CalPERS employer.

- If you contribute to Social Security, your eligible survivor will receive 25 percent of your unmodified allowance after your death in retirement.
- If you do not contribute to Social Security, your eligible survivor will receive 50 percent of your unmodified allowance.

Survivor continuance is payable to your eligible survivor no matter what payment option you select or whom you name as beneficiary. The amount payable to your survivor may be prorated if you worked for multiple employers where you did and did not pay into Social Security.

#### Retirement Estimates

If you're more than a year away from retirement, the **Retirement Estimate Calculator** in your myCalPERS account provides a detailed estimate with the different retirement options based on your current information. You can complete multiple estimates for different scenarios and save them for future review.

You can request up to two CalPERS-generated estimates within a 12-month period when you're within a year of retirement by selecting the **Start Estimate Letter Request** found in the estimate results page in myCalPERS or by submitting the **Retirement Allowance Estimate Request** form.

## Power of Attorney

A CalPERS Special Power of Attorney form allows you to designate a person or persons to conduct business with us. Not all power of attorney forms are the same. This form is specifically designed for CalPERS retirement issues.

This form cannot be used to make medical decisions, provide authority over real or personal property, be used after your death, or grant anyone access to your myCalPERS account.

Having this form on file allows the person you designate to do the following based on the specific authority you give them:

- Change your address
- Submit a retirement application and select payment option
- Designate beneficiaries
- Request information about retirement check
- Change tax withholding

For more information read the *CalPERS Special Power of Attorney* (PUB 30).

## Leaving Your Employer

There may be a time that you decide to leave your CalPERS-covered employer before you retire. It's important to know the options for your CalPERS retirement benefits.

### Your Choices

The options you have if you leave before you retire are:

- Leave your contributions on deposit
- Establish reciprocity
- Take an in-hand distribution
- Roll your contributions to another eligible retirement plan

#### Leave Contributions on Deposit

If you permanently separate from your CalPERS employer, your contributions remain in your account, and you maintain your membership.

If you leave your contributions in the system, you can:

- Earn six percent interest compounded annually
- Establish reciprocity with another California public retirement system
- Retire and receive a monthly retirement benefit if eligible

#### Establish Reciprocity

Reciprocity is an agreement among public retirement systems in California that allows you to move from one retirement system to another, within a specified time limit, without losing certain retirement benefits. You maintain membership in each retirement system separately.

When you're ready to retire, you apply to each system with the same retirement date. Both systems may use your highest final compensation period from either to calculate your retirement benefit from each system in accordance with the applicable statutes and regulations.

Some items of compensation that do not comply with the Public Employees' Retirement Law (PERL) may be excluded from the calculation of your CalPERS retirement benefit even though the other retirement system includes it in the calculation of your benefit from them. The amounts reported to us are subject to review.

Notify the other system and us when moving between systems. The reciprocal agreement may be voided if you're working for both systems concurrently. You may also be restricted from withdrawing your member contributions once reciprocity has been established.

For more information read ***When You Change Retirement Systems*** (PUB 16).

#### Take an In-hand Distribution

When you take an in-hand distribution, you terminate your CalPERS membership. This means you will not be eligible for any benefits. Taking an in-hand distribution has tax ramifications.

Tax deductions that apply:

- Mandatory 20 percent federal withholding
- Optional 2 percent state withholding

If you're under the age of 59 ½, you may be subject to additional tax penalties of 10 percent federal and 2 ½ percent state when you file your tax return the following year.

If all contributions have not been reported at time of election, a separate check will be sent for the remaining balance.

#### Take a Rollover

When you do a rollover, you terminate your CalPERS membership. You may avoid immediate taxes and penalties by rolling your funds into another qualifying plan such as:

- 401 (k), 457, 403 (b) through your new employer
- Self-directed Individual Retirement Account (IRA)

To apply for a refund, download the ***Refund Election Application*** (PDF).

For more information about your options if you leave your CalPERS employer, review **[www.calpers.ca.gov/leavingcalpersemployment](http://www.calpers.ca.gov/leavingcalpersemployment)**.

Find more information about your retirement benefits in your member publications. Three versions are available depending on your employment category:

- ***School Members*** (PUB 3)
- ***State Members*** (PUB 4)
- ***Public Agency Members*** (PUB 5)

## Online Resources

### CalPERS Website

One of the greatest resources we offer is our website at [www.calpers.ca.gov](http://www.calpers.ca.gov) which allows you to find information based on your role as an Active Member or a Retiree.

Find tools and additional information under the following columns on the Home page:

- **I Want To...** Provides links to some of the most commonly accessed tools and information.
- **Life Events** – Provides information on what you need to be aware of when life changes happen.
- **Forms & Publications** – Find all the forms & publications you'll need to learn about your benefits and prepare for retirement.

On our **Home** page, you can sign up for our email subscriptions. These are alerts that we send directly to your email.

Subscriptions offered include the:

- **Member Education Bulletin** which provides notification of upcoming webinars, instructor led classes and other CalPERS educational events.
- **Board Meeting Notices & Agenda Alerts** give you a direct link to Board of Administration Meeting Notices and Agendas as soon as they're available.
- **CalPERS News** is an informational newsletter that's sent out twice a month

You can get additional alerts related to employer information, Social Security, and more.

## myCalPERS

Your myCalPERS account at [www.myCalPERS.ca.gov](http://www.myCalPERS.ca.gov) provides information specific to you. You can access your real-time account details and balances as of the most recent payroll reported.

There are various tools available that allow you to:

- Estimate your retirement
  - Calculate various scenarios
  - Save to review and compare
- Update your beneficiaries
- Apply for service retirement
- Send us a message
- And more...

On your **Home** page you can find the following:

- Time to earliest retirement date
- Balance of your contributions
- Service credit balance
- Your retirement formula

At the bottom, you'll find quick links to the most common information.

It's important to continue educating yourself about your benefits throughout your career. Under **Education**, you can:

- Enroll in online and instructor-led classes
- Schedule an appointment at your local CalPERS Regional Office
- Register for CalPERS Benefits Education Events

Among the classes we offer are ***Your CalPERS and You*** which is for if you're early to mid-way through your career and ***Planning Your Retirement*** for if you're within about ten years of retirement. These classes provide much more in-depth information than this overview. Continuing to take classes throughout your career reinforces the information you've learned and helps you be more prepared for retirement.

Choose the **Classes** link under **Education**, then select the Online or Instructor-Led to view what's available.

Eight regional offices are located across the state. You can attend an instructor-led class, or you can make an appointment.

## Visit a CalPERS Regional Office

If you want to visit one of our offices, you can select **Appointments** found under **Education** in your myCalPERS account or give us a call. Pre-scheduled appointments at our offices can fill up over a month in advance, so plan ahead.

We do have walk-in appointments available which are on a first-come, first-served basis. This can lead to a long wait.

Before you visit one of our regional offices, here's some hints to help you make the most out of your visit:

- Attend our more in-depth retirement education classes for more detail. This will give a foundation of knowledge about your CalPERS benefits.
- Complete all forms to the best of your ability
- Bring your retirement estimate with you
- Bring supporting documents such as marriage certificate or beneficiary's birth certificate
- Bring your picture ID and if you have a spouse or domestic partner, they need to bring theirs.
- Write down any questions you have and bring them with you

Other available resources include:

- Customer Contact Center **888 CalPERS** (or **888-225-7377**)
- Register for our monthly webcast
- Watch our YouTube Videos
- Follow us on Social Media

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