

CalPERS Quick Tip: Retirement Calculation Factors

<https://www.youtube.com/watch?v=XXZ4nSIEfSo>

Published July 17, 2017

Description

Ever wondered how your CalPERS pension is calculated? Wonder no more. Learn more about your CalPERS benefits at <http://www.calpers.ca.gov/education>.

Transcript

It pays to know how your pension is calculated, so stay tuned while we cover the three Retirement Calculation Factors in today's quick tip.

[ON SCREEN: Quick tip: Retirement Calculation Factors]

Your CalPERS pension is a defined benefit plan, meaning your pension amount is based on a formula, not on how much you contribute to the system. The three factors in that formula are your Service Credit, Benefit Factor, and Final Compensation.

Service Credit is your total time spent on the job with all CalPERS-covered employers. Your Benefit Factor is the percentage of pay you're entitled to for each year of service credit you've earned. It's based on the retirement formula contracted by your employer and your age at retirement. Final Compensation is an average of your highest monthly pay rate. Multiplying these factors together determines the highest amount you can receive when you retire.

So how is this information beneficial to you?

[ON SCREEN: Maximize your pension amount in the following ways]

We'll just consider how you might maximize your pension amount in the following ways:

[ON SCREEN: Service Credit Outline]

When it comes to Service Credit, you may increase your balance by simply earning credit while you work, purchasing service credit if you're eligible, or converting unused sick leave to service credit when you retire.

[ON SCREEN: Benefit Factor Outline]

Your Benefit Factor increases with each quarter year of age, meaning that four times per year (every three months following your birthday) your benefit factor increases. Therefore, your benefit factor will be greater if you retire on or after your next birthday quarter than if you choose to retire sooner.

[ON SCREEN: Final Compensation Outline]

Lastly, any change in employment that results in a pay raise, such as a promotion, will naturally increase

your Final Compensation amount, and in turn, your pension.

[ON SCREEN: Retirement Estimate Calculator]

The Retirement Estimate Calculator is a great tool for estimating how changes to each of these factors will impact your pension. And you can access it right now either in your my|CalPERS account or on the CalPERS website.

Discover more ways to plan for retirement by visiting calpers.ca.gov/education.

[ON SCREEN: Learn More calpers.ca.gov/education]