

# CalPERS Retirement Benefits – Early thru Mid-Career

**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.

**Note:** This Digital Class Notes & Resource document is designed as a supplementary enhancement to the presentation, offering additional support for CalPERS members.

## Agenda

This presentation covers information on:

- Retirement Income Sources
- Your Retirement Calculation
- CalPERS Special Power of Attorney
- Pre-Retirement Death Benefits
- Leaving Your Employer
- Resources

## Retirement Income Sources

Most financial experts believe you need approximately 85 percent of your pre-retirement income to maintain your current standard of living. The earlier you plan, the more prepared you'll be for the future.

Your income in retirement may include:

- Your personal savings
- Social Security
- CalPERS pension

Your CalPERS pension may not provide all the income you need when you retire so you must factor in how much you'll need from other sources.

Another important element of preparing for the future is estate planning. Proper estate planning can ensure that the assets you have accumulated over your life will stay with your loved ones.

We don't offer estate planning advice and recommend that you work with licensed estate planning professionals when deciding to start the estate planning process.

## Personal Savings

Your CalPERS pension and Social Security (if applicable) may not cover the lifestyle you want for retirement. If that's the case, you may need to supplement with personal savings.

Personal savings can come from a variety of sources, including:

- Employer sponsored savings plans like a 401(k), a 457, or a 403(b) plan
- Personal savings accounts
- Individual Retirement Accounts (IRA & Roth IRA)
- Brokerage accounts and mutual funds
- Stocks and bonds
- Real estate properties

### Employer Sponsored Savings Plans

[Deferred Compensation](#) plans are one of the most common ways to save for retirement.

As a public agency or school employee, you may be eligible to participate in the [CalPERS 457 Plan](#). Your employer must contract to offer this program and it's at no cost to them. The contributions are made on a tax-deferred basis. If your employer doesn't contract for this plan, check with them to see what plans are offered.

For state employees, you may enroll in the [Savings Plus Program](#) which is administrated through the [California Department of Human Resources \(CalHR\)](#). They offer 401k and 457 plans.

Another option for state employees is the [CalPERS Supplemental Contributions Plan](#). For this plan, you make contributions on an after-tax basis.

### Social Security

[Social Security](#) is a federally mandated program for those who pay into it. The benefit amount you receive is based on wages earned over your lifetime.

When you pay Social Security taxes you earn credits. You need a minimum of 40 credits to qualify for a Social Security benefit. Once you have the minimum credits you can retire as early as age 62 with a reduced benefit. To receive your full benefit, you must retire between the ages 65-67 depending on your year of birth. You can find your full retirement age by using the [Retirement Age Calculator](#) on Social Security's website.

From their website, you can create your own [my Social Security](#) account to gain access to your information, including benefit information and estimates of future benefits you can use for planning.

Starting at age 25, you'll have access to annual [statements](#). You should review your statement carefully to ensure your wages are being reported correctly. If you find a discrepancy, [contact](#) Social Security directly.

### Your CalPERS Pension

The [California Public Employees' Retirement System \(CalPERS\)](#) provides a variety of retirement and health benefit programs and services, and administers other programs dedicated to protecting the financial security of over 2 million members. In addition, we make payments for death benefits to eligible survivors and beneficiaries.

We were established by California state law to provide retirement benefits for state employees in 1932 and then in 1939, public agency and classified school employees were added.

You can find information [about](#) our Board of Administration, job opportunities, our organization and more on our website.

CalPERS is a 401(a) Defined Benefit Plan. This means the amount of your benefit is determined by a formula, not how much you contribute to the plan. Once eligible, your monthly benefit is payable for life.

The money to [fund your pension](#) comes from three sources:

- CalPERS investments
- Employer contributions
- Member contributions

### [Classic vs New Member](#)

The [Public Employees' Pension Reform Act \(PEPRA\)](#), which took effect January 1, 2013, changes the way CalPERS retirement and health benefits are applied.

#### *Classic Member*

The term “Classic” applies if you became a CalPERS member prior to January 1, 2013. If you move to another California public employer within 6 months, you retain classic member status and are under the benefits that were in place prior to January 1, 2013.

#### *New Member*

If you’re a “New” member hired after January 1, 2013, you fall into one of three categories:

1. You were brought into CalPERS membership with no prior membership in any California public retirement system.
2. You were brought into CalPERS membership for the first time and are not eligible for [reciprocity](#) with any other California public retirement system.
3. You first established CalPERS membership prior to January 1, 2013, and you then are hired by a different CalPERS employer after a break in service of more than six months.

State agencies, including California State University (CSU), are considered one single employer, so even if you move to a different state agency or CSU, you are still considered a classic member.

The same is true of all California schools. If you move from one school district to another your CalPERS retirement benefits won’t change. The six-month rule does not apply.

## Retirement Types

There are three types of retirement:

1. **Service** – This is the “normal” retirement for members who have met the eligibility requirements. If you were hired prior to January 1, 2013, then the minimum eligibility requirements are age 50 with 5 years of service credit. If you were hired after January 1, 2013 as a new miscellaneous member, then you must be age 52 with 5 years of service credit. For safety members, the minimum requirement is still age 50 with 5 years.
  - 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.
2. **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.
3. **Industrial Disability** – This type of retirement is usually only available to safety members, such as police officers or firefighters, or for members whose employer contracts for this benefit. There is no age or service credit requirement, but the disability must be job related.

For more information, read:

- [Planning Your Service Retirement \(PUB1\) \(PDF\)](#),
- [Service Retirement Election Application \(PUB 43\) \(PDF\)](#),
- [Disability Retirement Resource Guide \(PDF\)](#),
- [Disability Retirement Election Application \(PUB 35\) \(PDF\)](#)

## 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)

### ***Service Credit x Benefit Factor x Final Compensation = 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](#). Service credit is earned on a fiscal year basis from July 1 through June 30. 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

If you earn anything less than this then you're credited with a partial year.

### Service Credit Purchase Options

We offer a variety of service credit purchase options to eligible members. To get an idea of what you may be eligible to purchase and the potential cost, log in to your [myCalPERS](#) account and request to purchase service credit.

- **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've come back into membership you may be eligible to redeposit these funds and restore those years of service credit.
- **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, or seasonal position, you may be eligible to purchase Service Prior to Membership.
- **Military Service** – Members who have served in active military service may purchase up to four years of Military Service Credit. If you served active duty during your CalPERS career, you may be eligible to have the time served credited to your account at no cost to you.
- **Other types of service credit** – There are several less common service credit purchase types. For example, certain types of leaves of absence, Optional Member Service, Prior Service, Fellowship, Comprehensive Employment and Training Act (CETA), and Peace Corps.

Find more information on the different purchase types and eligibility on our [service credit](#) webpage and read the [Service Credit Purchase Options \(PUB 12\) \(PDF\)](#) or [Military Service Credit Options \(PUB 15\) \(PDF\)](#) publications. If you meet eligibility requirements for the types you're interested in, log in to your myCalPERS account to review purchase options, get an estimate of the cost, and submit your request online.

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 are a safety member whose service credit is capped based on your retirement formula.

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). AER reduces your retirement benefit every month by an actuarially equivalent amount of the remaining balance owed.

### Benefit Factors

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, or every three months, based on your birthday. For example, if your birthday is March 10, your birthday quarters are:

- Birthday – March 10
- 1/4 year – June 10
- 1/2 year – September 10
- 3/4 year – December 10

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

**Example Benefit Factor Chart - Miscellaneous 2% @ 62**

Age	Exact Year	¼ Year	½ Year	¾ Year
52	1.000%	1.025%	1.050%	1.075%
53	1.100%	1.125%	1.150%	1.175%
54	1.200%	1.225%	1.250%	1.275%
55	1.300%	1.325%	1.350%	1.375%
56	1.400%	1.425%	1.450%	1.475%
57	1.500%	1.525%	1.550%	1.575%
58	1.600%	1.625%	1.650%	1.675%
59	1.700%	1.725%	1.750%	1.775%
60	1.800%	1.825%	1.850%	1.875%
61	1.900%	1.925%	1.950%	1.975%
62	2.000%	2.025%	2.050%	2.075%
63	2.100%	2.125%	2.150%	2.175%
64	2.200%	2.225%	2.250%	2.275%
65	2.300%	2.325%	2.350%	2.375%
66	2.400%	2.425%	2.450%	2.475%
67+	2.500%	2.500%	2.500%	2.500%

If you're unsure of your formula, you can find it in your [myCalPERS](#) account on your **Home** page, or you can check with your employer. Find your [benefit factor chart](#) on our website.

## Final Compensation

The last part of your pension calculation is final compensation.

Compensation is defined as payment to employees for service performed during normal work hours or time used for vacation, compensatory time off or sick leave.

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. 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.

## 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 62 under the State 2% @ 62 formula with 25 years of service credit. Their final compensation average is \$4,366.67.00 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:

$25 \text{ years} \times 2\% \text{ benefit factor} = 50\%$

$50\% \times \$4,366.67 \text{ final compensation} = \$2,183.34 \text{ unmodified allowance or pension.}$

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

What would happen if the member in the previous example decided to wait another six months before they retired?

By waiting another six months they increased their service credit to 25.6 years, and their benefit factor to 2.050%.

$25.6 \text{ years} \times 2.050\% \text{ benefit factor} = 52.4\%$ .

By staying 6 months longer under a higher payrate the final compensation increased to \$4,566.67.

$52.4\% \times \$4,566.67 = \$2,396.59.$

By waiting 6 more months to retire the unmodified allowance, or pension, increases by about \$213 a month.

Let's look at one more example. Suppose a member is retiring at age 55 and has worked for two different employers under retirement formulas.

They worked 20 years for an employer under the 2% at 55 formula, and five years for another employer under the 2% at 62 formula. We calculate each employer separately and add them together.

1<sup>st</sup> employer: 20 years x 2.000% benefit factor x \$4,366.67 final compensation = \$1,746.67

2<sup>nd</sup> employer: 5 years x 1.300% benefit factor x \$4,500.00 final compensation = \$ 292.50

\$1,746.67 + \$292.50 = \$2,039.17 monthly retirement benefit.

**NOTE: We cannot apply your PEPR salary toward your classic service and vice versa.**

## Power of Attorney

The CalPERS [Special Power of Attorney \(PUB 30\) \(PDF\)](#) allows you to designate a representative, known as your attorney-in-fact, to conduct business with us as it relates to your CalPERS benefits. Not all power of attorney forms are the same. This form is specifically designed for CalPERS retirement issues.

Based on the authority given, your designated attorney-in-fact will be able to perform important duties concerning your CalPERS business, including:

- Change your address
- Submit a retirement application and select payment option
- Designating beneficiaries

This form **cannot**:

- Be used to make medical decisions
- Provide authority over real or personal property
- Grant anyone access to your myCalPERS account

## Pre-Retirement Death Benefits

It's important to know what's available to your beneficiaries if you should pass away before retirement.

Pre-retirement death benefits may be payable to survivors and/or beneficiaries. Benefits could range from a one-time payout of your contributions plus interest to a monthly payment to a survivor.

Eligibility factors may include your:

- Membership category
- Employer
- Eligibility to retire

Your member benefit publication provides more details on the types of death benefits available. Benefits are set by law for state and school members. If you're a public agency member, check with your employer to see which death benefits are available to you.

## Beneficiary Designation

It's important to keep your [beneficiary designation](#) up to date regardless of whether you're still active or retired. You can designate a person, your trust, your estate, charities, or corporations to receive a lump sum. If there is no beneficiary designated, then benefits are paid in the order established by state law.



There are events that can revoke your designation, such as:

- Marriage or registration of domestic partnership
- Dissolution, annulment or termination of marriage or partnership
- Birth or adoption of a child

If any of these events occur, you'll need to update your designation. You can add or change your lump sum beneficiaries through your [myCalPERS](#) account at any time. If you take a refund of your CalPERS contributions, your membership is terminated, and no benefits are payable to your beneficiary.

## Leaving Your Employer

If you leave your CalPERS-covered employer, you have three options regarding your contributions.

### Leave your funds on deposit

If you permanently separate from your CalPERS-covered employer, your funds automatically stay in your account and you maintain your membership.

The benefits of leaving your funds in are you:

- Earn six percent compounded interest
- Keep your service credit intact
- Can retire later and receive a monthly benefit, if eligible

## Reciprocity

We have reciprocal agreements with many public retirement systems in California. Reciprocity provides for movement from one system to another in a specified timeframe without loss of benefits.

Reciprocity may allow you to coordinate benefits between systems. You'll be a member of both retirement systems, subject to the rights and benefits of each.

There is no transfer of funds or service credit between retirement systems and you must retire from both systems on the same day for full reciprocal benefits to apply. This may also allow the highest final compensation to be used from either system to calculate retirement benefits.

Read [When You Change Retirement Systems \(PUB 16\) \(PDF\)](#) for more information.

## Take a refund

You can take a refund of your contributions which will terminate your CalPERS membership.

- Refund - Your tax-deferred contributions and interest are subject to a mandatory 20% federal tax withholding. The state tax withholding is an optional election of 2%.
- Rollover - Elect to roll over your member contributions into other tax-deferred savings plans such as an IRA or deferred compensation plan.

Employer contributions are not refundable. For more detailed information about your options when you leave your employer, read the [Refund/Rollover Election Package \(PDF\)](#).

## Resources

### CalPERS Website

One of the greatest resources we offer is our [website](#). You'll have streamlined navigation 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 pages:

#### Home page:

- **Life Events**
  - Learn how certain [life events](#) can impact your coverage or benefits in CalPERS programs

#### Members and Retirees pages:

- **I Want To...**
  - Provides links to some of the most accessed tools and information
- **Resources**
  - Provides links to important information as an Active Member or a Retiree
- **Forms & Publications**
  - Find all the [forms & publications](#) you'll need to learn about your benefits and prepare for retirement

Your benefits publication will answer many of the questions you may have as a CalPERS member.

These publications describe how your pension is funded, the basics of your retirement benefits, frequently asked questions, and more. There are 3 versions depending on your membership category:

- [School Members \(PUB 3\) \(PDF\)](#) – orange pub
- [State Members \(PUB 4\) \(PDF\)](#) – blue pub
- [Public Agency Members \(PUB 5\) \(PDF\)](#) – green pub

You can also 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 videos, instructor-led classes, and other CalPERS educational events.
- **Board Meeting Notice & Agenda Alert** gives 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 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 including the ability to:

- Estimate your retirement
- Update your beneficiaries
- Apply for retirement
- Send us a message
- And more...

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

- Time to earliest retirement date
- Balance of your contributions
- Service credit balance
- Your retirement formula
- Quick links to the most common pages and tools

## Enroll in an Online or Instructor-led Class

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

- Find publications
- Enroll in online and instructor-led [classes](#)
- Schedule an [appointment](#) with a Regional Office counselor

Among the classes we offer is the **Your CalPERS and You** class, which provides much more in-depth information. Whether you are brand new or midway through your career, continuing to take classes reinforces the information you've learned and helps you be more prepared for retirement.

We have eight [Regional Offices](#) located across the state. You can schedule an in-person, phone or virtual appointment or enroll in instructor-led classes.

Additional Resources:

- [Subscribe](#) to our **Member Education Bulletin**
- [Register](#) for our monthly videos
- Watch our [YouTube Videos](#)
- Schedule an appointment with a [Regional Office](#) counselor
- Customer Contact Center **888 CalPERS** (or **888-225-7377**)