



Retirement Issues Facing Part-Time Faculty

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This presentation will cover...

- Defined Benefit Plan
- Defined Contribution Plan
- Social Security
- Retirement Pitfall's for Part-Time Faculty



Defined Benefit Plan

GUARANTEED FOR LIFE



Defined Benefit Plan

- A Defined Benefit (DB) Plan gives you a guaranteed lifetime retirement benefit, upon vesting.
- Your retirement income is based on your age, final compensation and years of service credit.
- All employees have the right to enter into the DB Plan.

Vesting

It takes five full-time years to vest in the DB Plan.

- For example:
 - Pasadena City College – 50% load = 10 years to vest;
 - Solano Community College – 75% load = 7.5 years to vest;
 - Napa Valley College – 20% load = 25 years to vest.

Age Factor

- Most employees are under the 2% at 60 formula.
- Those hired after January 1, 2014 are under a 2% at 62 formula.
- If you retire prior to age 60, the formula decreases.
- If you retire after age 60, the formula increases to a maximum of 2.4% at age 63.

Final Compensation

- If you have 25 or more years of service credit under the 2% at 60 your final compensation earnable is based on your highest year salary.
- If you have less than 25 years of service credit, your final compensation is based on your highest three consecutive years.
- If you are under the 2% at 62 formula (hired on January 1, 2014 or later) your final compensation is based on your highest three years.

Sick Leave

- When you retire, CalSTRS will convert your unused sick leave to service credit.
- Your last employer must report unused sick leave.
- Your base service days are calculated in proportion to the FTE.

$$\frac{\text{Accumulated days of unused sick leave}}{\text{Number of base days for full-time service}} = \frac{\text{Service Credit}}{\text{Granted}}$$

Full-Time Equivalent (FTE)

- The minimum FTE is 525 instructional hours (plus mandatory office hours, if paid).
- The minimum FTE for Adult Education is 875 instructional hours (plus mandatory office hours, if paid).

Service Credit

FTE	525 hours	
Actual Earnings	\$11,250	/
Full-Time Rate	\$45,000	=
Service Credit Earned	.25	

Earnable Compensation

Scott works at three community colleges:

<u>Employer</u>	<u>Earnings</u>	<u>Service Credit</u>
Pasadena	\$ 11,250	.25
Glendale	\$ 18,000	.3
Santa Monica	\$ 2,600	.1
Total	\$ 31,850	.65
Annual Earnable Comp: \$31,850 = \$49,000		
		.65

Earnable Compensation

Scott works at two community colleges:

<u>Employer</u>	<u>Earnings</u>	<u>Service Credit</u>
Pasadena	\$ 11,250	.25
Glendale	\$ 18,000	.3
Total	\$ 29,250	.55
Annual Earnable Comp: \$ 29,250 = \$53,181		
		.55

Scott's Possibilities at 65 3 Districts

**Service Credit x Age Factor x Final Compensation =
CalSTRS Benefit**

Multiply by the highest three years:

Year 1 – \$53,181 – Glendale and Pasadena

Year 2 – \$53,181 – Glendale and Pasadena

Year 3 – \$49,000 – All 3 districts

\$155,362 = Total Earnable Compensation

\$155,362 / 36 months (3 years) =

\$4,316 Final Compensation

Scott's Possibilities at 65 2 Districts

Multiply by the highest three years:

Year 1 – \$60,000 – Glendale

Year 2 – \$53,181 – Glendale and Pasadena

Year 3 – \$53,181 – Glendale and Pasadena

\$166,362 = Total Earnable Compensation

\$166,362 / 36 months (3 years) =

\$4,621 Final Compensation

Defined Benefit Supplement

- If you are in the DB Plan and work over one full-time year, both your contributions and the employers will go into this account until you retire.
- You can access these funds upon retirement or six months after you terminate CalSTRS covered employment.

Additional Benefits

Additional benefits include (upon vesting):

- Disability Benefits;
- Survivor Benefits;
 - Read the rules of selecting your survivor benefit now in the CalSTRS Handbook;
- Annual 2 percent increase;
- 85% purchasing power maintenance.

DB Pitfalls for Part-Time Faculty

- If you pull out your DB funds, you will only receive the employee contributions plus interest but will not receive employer contributions.
- If you pull out your DB funds you will not be eligible for a CalSTRS retirement.
- Many part-time faculty members do not know if they are in the CalSTRS DB plan and are often in more than one retirement plan if they are at multiple districts.

Working After Retirement

Post-Retirement Earnings Limitations – applicable whether you work directly for a district, independent contractor or third party:

- \$0 for the first six months after retirement;
- \$43,755 limit in 2017-18.

Defined Contribution Plan

EASY TO VEST
PORTABLE

Defined Contribution Plan

- Designed for non-career part-time faculty.
- Formula - 4% employer contribution + 4 % employee contribution (Negotiable).
- Guaranteed Interest Rate – 2017-18 – 2.64%.
- You may use it with more than one district.
- Lump sum or annuity upon retirement if balance is \$3,500 or more.

Defined Contribution Plan Pitfalls

- Not as lucrative as the DB Plan.
- The DB Plan is guaranteed for life; the DC Plan lasts as long as there is money in your account.
- Not all districts offer the DC Plan.

Social Security

OFFER NOT AVAILABLE
IN ALL AREAS

Social Security

- If you have the option of choosing Social Security and will have enough earnings – great!
 - 40 quarters are needed to qualify.
- If not, you may be subject to federal offsets if you have current or previous employment that contributes to Social Security:
 - Windfall Elimination Provision (WEP);
 - Government Pension Offset (GPO).

Windfall Elimination Provision

- The WEP reduces the earned Social Security benefits of an individual who also receives a public pension from a job not covered by Social Security.
- The WEP reduces the factor for which average earnings are multiplied to determine Social Security benefits. How much the factor is reduced depends on when the individual becomes eligible to retire and how many years of earnings he or she has accumulated.

Government Pension Offset

- The GPO reduces public employees' Social Security spousal or survivor benefits by an amount equal to two-thirds of their public pension. Spousal and survivor benefits are normally available to any person whose retired or deceased spouse worked at a job in which he or she earned Social Security benefits. The GPO reduces or eliminates these benefits.

Contact Social Security for details

Social Security contact information:

- (800) 772-1213
- www.socialsecurity.gov

Retirement Pitfalls for Part-Time Faculty

IGNORANCE DOES NOT LEAD TO A BLISSFUL RETIREMENT

Retirement Pitfalls for Part-Time Faculty

- Many districts prey on the fact that part-time faculty do not know they can use the DB Plan.
- Many districts have had a difficult time reporting the correct amount of service credit to CalSTRS – check your CalSTRS Progress Reports annually and save them!

Inconsistent Retirement Plans

- Many part-time faculty are in different plans in different districts.
- Many part-time faculty have no idea what plan they are in.

DB/DC Review

- DB – If you pull out funds you will lose employer contributions and access to CalSTRS DB retirement.
- DC – Not as lucrative as DB and is not guaranteed for life.
- Social Security may not be there when you need it.

Additional CalSTRS Questions?

Contact CTA:

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Contact CalSTRS

- (800) 228-5453
- myCalSTRS.com

Q & A

"Planning is bringing the future into the present so that
you can do something about it now."

Alan Lakein

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