

PECG RETIREMENT NEWS

DECEMBER 2007

TO: PECG BOARD OF DIRECTORS, SECTION OFFICERS & COMMITTEE MEMBERS

FROM: PECG RETIREMENT COMMITTEE

SUBJECT: RETIREMENT PLANNING

HAVE YOU ATTENDED ANY RETIREMENT SEMINARS OR FINANCIAL PLANNING SEMINARS BY PERS? IF NOT, WHY? YOU NEED TO PLAN AHEAD FOR YOUR RETIREMENT, NO MATTER WHAT YOUR AGE IS!!!

CHECK THE PERS WEBSITE FOR CLASS DATES AND LOCATIONS. SIGN UP EARLY AS THEY REALLY FILL UP QUICK.

ALSO, ATTACHED ARE SOME SUGGESTIONS FOR RETIREMENT PLANNING. DON'T WAIT UNTIL THE LAST MINUTE. SHARE THE ATTACHMENTS WITH YOUR SECTION MEMBERS. THE LOS ANGELES SECTION HAS OFFERED TO PUT THE RETIREMENT SUGGESTIONS ON THEIR WEBSITE.

I DID NOT GO INTO HEALTH INSURANCE AS THERE ARE SO MANY RULES FOR QUALIFICATION IN RETIREMENT.

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RETIREMENT COMMITTEE
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ARE YOU THINKING ABOUT RETIRING IN THE NEXT 2 TO 10 YEARS???

WHAT SHOULD YOU DO NOW TO PLAN AND PREPARE FOR RETIREMENT!
THERE ARE LOTS OF DECISIONS TO MAKE BEFORE YOU RETIRE. DON'T
WAIT UNTIL THE LAST MINUTE AND MAKE HASTY DECISIONS THAT CAN
AFFECT THE REST OF YOUR LIFE!!!

1. Attend PERS retirement classes and seminars. Take more than one, two hour class. Sign up for another class 6 months to a year down the road until you feel comfortable and feel that you understand the PERS Retirement system. Read the PERS information prior to the class, prepare questions to ask in the class on aspects that you are unsure of. Some instructors have more experience than others and will explain the retirement system better than others.
2. Sign up for the Financial Planning classes. There are two classes offered. One is for people that are within 10 years of retirement and the other is for younger employees that are over 10 years from retirement. The class for people near retirement that will address retirement planning, how much money is needed to live on, are you going to work part time, what will you do with you time now that you have 24 hours a day, 401K's, Deferred Compensation, Annuities, Long Term Care, funeral costs, wills, trusts, various types of Power of Attorneys, and other retirement topics. The other class is more on financial planning and a briefer overview of retirement. They are 5-6 hour classes and afterwards you will receive a form to fill out requesting Financial plan.
3. Visit the CalPers website at www.calpers.ca.gov and review the booklets that are available online for employees and retirees regarding retirement and your benefits or you can pick them up at the Regional PERS offices.
4. Review your service credit on your yearly PERS Statement. Is it correct? Have you worked for another state agency or local agency that was or is now in the PERS Retirement system? If you quit and withdrew your contributions from the system, you can look into repaying them back so you will receive that service credit but this must be done before retiring. You can pay cash, withdraw money from your 401K or deferred compensation (without a penalty so long as it is transferred), or make monthly payments which would continue into retirement but you would have the service credit included in your retirement check while making payments for the service credit. Also, you can buy 1-5 years of additional service credit (Air Time). You must pay for the State's contributions in addition to to what your contributions. It can be paid for in the same ways as above. Contact Chris Jensen on PECG's Retirement committee for more information.

5. Begin to gather up the necessary papers required for retirement. Your birth certificate, your survivors and/or beneficiary birth certificates, marriage certificate, domestic partner registration, divorce court order, etc.
6. Study the various options that you have to pick from. Unmodified, Options 1, 2, 2W, 3, 3W and 4. Option 4 has 6 approved options under it to fit various requirements that someone may have. Study these thoroughly as one might be appropriate for you. I recommend that single employees study Options 1 and Option 4. Married employees should study Option 4 (1+ 2W). There is a booklet on Option 4 that thoroughly explains it. Read it and then ask PERS about it. Why would I want to consider Option 1 or Option 4 (1+2W) or Option 4 (1+3W)? Option 1 provides the lump sum balance of your contributions will go to your beneficiary if you are single and die. If you are under Option 4 (1+2W) or Option 4 (1+3W) and you and your beneficiary both are deceased, the balance of your contributions would be paid to your secondary beneficiary. Your contributions are from your hard earned money over your career, do you want them to go to the State of California should you die or would you rather leave them to someone that you designate?
7. Where do you plan to live when you retire? This could affect your health benefits and your social security benefits. If you have a HMO health insurance plan and move out of California, you will need to switch to one of the PERS plans. If you have Kaiser health insurance, it is only available in certain areas and zipcodes. Other things to consider should you decide: Cost of living, property taxes, income taxes, the weather, do you have elderly parents that might need assistance, will you miss your friends and relatives, medical facilities, estate taxes, etc.
8. Sick leave credit will add to your service credits. If you have 2000 hours of sick leave, you will receive 1 year of service credit. If you have 200 hours of sick leave, you would receive 0.1 years of additional service. ($200 \div 2000 = 0.1$ year).
Vacation credit can be paid out in lump sum cash, transferred to your 401k or Deferred compensation, or it can be run out which would give additional service credit or a combination of two options. Whether you take cash or run it out, it is just like you were working and you get paid for any holidays during the runout period. Be sure to double check as Personnel is not always correct.
9. Go to the PERS website www.calpers.ca.gov and prepare some estimates for different retirement dates. This will only take a few minutes to calculate. It is best to have your latest PERS statement so you will know how much service

credit that you have. Which retirement are you in: Tier 1 or Tier 2 and what benefit factor are you under. Or you can request an estimate from PERS. Option 4 estimates must be done by PERS. If you are picking Option 4 (1+2w) or 4(1+3w), you can do a rough estimate by doing an estimate for option 2w or 3w and you will be within a few dollars of the Option 4 estimate. Option 4 usually cost you under \$5.00.

10. If you are in Social Security, study your yearly statement from them. Visit their office or website for booklets about Social Security and Medicare. You can draw Social Security at 62 years old at a reduced rate. Do not do this if you plan to work after retiring and will make over about \$12,000 a year, or you will have to pay most of your Social Security back the next year. Sure you will get more if you wait until you are the maximum age or older but just remember that your life expectancy is getting closer the older you are. Once you are completely retired, calculate how long it will take to break even if you retire early with less per month compared to waiting and collecting the maximum amount. It will be somewhere between 10-15 years to break even if you wait.
11. As soon as you turn 65 years old, make sure that you sign up for Medicare or you will be penalized. If you are not in Social Security, you might be eligible thru your spouse. If they tell you that you are not eligible for Medicare, keep that letter in a safe place as you might have to prove it later. Once you are retired and on Medicare, Medicare is your primary insurance plan (Parts A & B) and your State Health insurance is your Secondary insurance plan. Whatever you do once you are in Medicare, **do not sign up for Medicare part D!!!** Why??? The state insurance will handle your prescription needs. If you sign up for Part D, you will lose your state insurance coverage completely!!!

HAPPY DECISION TIME GETTING READY FOR RETIREMENT

FROM YOUR PECG RETIREMENT COMMITTEE

NOTE: ALWAYS CHECK WITH PERS ON YOUR DECISIONS BEFORE MAKING YOUR FINAL DECISION.

RETIREMENT IS ABOUT 1 YEAR AWAY, WHAT DO I NEED TO DO???

You are the minimum service retirement age? For most CalPERS members that is 50 years old with 5 years of service credit in Tier 1 or 55 years old with 10 years of service credit in Tier2.

1. Choose a Retirement Date. The selection of a retirement date is one of the important decision to make. Donot retire just before your birthday or a quarter year of your birthday.
2. Do you want to buy a Temporary Annuity if retiring early? This can be rather expensive so think twice about it.
3. What compensation do you want used to calculate your retirement on? If you held a temporary promotion for a period of time that is higher that your wages at retirement, you would probably want to use the higher wages so your retirement would be more.
4. Have you worked in any other California Public Retirement System? You will need the dates and when.and the name of the system.
5. What Option have you decided on?
6. Who is your beneficiary, their social security number, birthdate, and address.
7. Who do you want you lump-sum retired death benefit to go to? (You are worth \$2,000 when you die currently.)
8. Who will receive you Survivor benefit,if applicable. Your spouse, children under 18, dependent parents or a disabled child?
9. Have you divorced previously? Does the former spouse have a claim against your retirement? you will need the court papers to show PERS.
10. How much taxes do you want withheld from your PERS retirement check eash month?
11. The state has to certify your employment, your sick leave and vacation. IF MARRIED, BOTH YOU AND YOUR SPOUSE MUST SIGN THE FORM.
12. Fill our new health insurance form, dental insurance form and the Vision Service Plan for Retirees .

HAPPY RETIREMENT

FROM YOUR PECG RETIREMENT COMMITTEE!!!

NOTE: ALWAYS CHECK WITH PERS ON YOUR DECISIONS AS RULES DO CHANGE.