

## Important considerations when planning to retire



“When should I retire?” is one of the most common questions that SDCERA hears from its members. While the decision is

ultimately yours to make, we’d like to remind you of some important points to consider when planning your retirement date.

### 1. Getting older can be a plus

One of the factors used to determine your retirement benefit is your age. SDCERA uses your age at retirement to the nearest completed quarter year up to age 60 for General Tier A members and age 50 for Safety members. That means, prior to reaching the age of either 60 or 50, each quarter year increases your retirement benefit.

Remember, your retirement age is never rounded forward. For example, if you are 52 and 2.9 months at retirement, your retirement age is 52. But if you are 52 and 3 months, your retirement age is 52.25. Keep these quarter-year milestones in mind when you are choosing your retirement date.

### 2. Final compensation

Another factor used in calculating your retirement benefit is your final compensation. Final compensation is defined as your highest average monthly compensation for any one-year period (26 consecutive biweekly pay periods). For many members, this equates to their “final” one year of earnings, but not in every case.

There are more than 50 earnings categories that are included in final compensation. One example is Quality First, which is included in your final compensation calculation. If you are a recipient of a Quality First payment, your final compensation could increase if you worked through November.

### 3. Sick leave conversion

You may be eligible at retirement to convert your unused sick leave balance to service credit. Sick leave converts hour for hour. When planning your retirement, you should

consider the additional benefit you could receive by converting any sick leave balance you expect to have when you retire. See your payroll representative for questions regarding eligibility.

Keep in mind, however, that while sick leave credit can help you increase your overall service credit, sick leave credit is not counted to meet minimum retirement eligibility requirements.

### 4. Health coverage

If you have health coverage through the County’s Options program when you retire, you will remain covered through the end of the month in which you terminate. This rule applies regardless of the day of the month on which you terminate. For example, if you terminate June 1, you will be covered through June 30; likewise, if you terminate June 29, your coverage will also end on June 30. To allow yourself more time to select a health plan once you retire, as well as budgeting costs of a new health plan, make this another important consideration when choosing your retirement date.

Remember, only you can choose the retirement date that suits you best. Understanding the various factors that affect your benefit will help you plan for that date and, ultimately, a smooth retirement process.

**For further planning, click the link below to calculate your retirement benefit:**

**Retirement Benefit  
Calculator**

### SDCERA offices set to move this summer

As you may have read in the last issue of the SDCERA newsletter, SDCERA will be relocating its offices to Mission Valley this summer. Our new home will be central to a large percentage of the members we serve, and we will continue to provide the same high level of customer service. SDCERA will continue to remind members about the move in various member communications.

## Look for upcoming contribution rate changes

General and Safety members will have an increase (or decrease) to their biweekly member contribution, beginning with paychecks received on July 14, 2006. The average increase is slightly less than one third of one percent, or .30%. The average decrease is approximately .06%.

In addition, the employer's contributions to the retirement fund will increase by 1.61% (from 23.08% to 24.69%) of payroll.

Generally, the combination of member and employer contributions total approximately 20-25% of the total assets of the fund, leaving 75-80% attributable to investment earnings—by far the largest piece of the pie.

### Increases vs. decreases

The new contribution rates were recently adopted by the Board of Retirement as a result of changes made to several actuarial assumptions recommended by the plan's actuary (see the *SDCERA Definitions* column below for further discussion of actuarial valuations).

In determining the member contribution rates for 2006-2007, the Board of Retirement has adopted a new assumption which anticipates a small increase in assumed future salary increases for active members. This results in higher contribution rates both for members and the County in order to pay for those larger benefits.

On the other hand, the cost-of-living component of the member rate determined using the active member demographics in the valuation shows a slight decrease in the cost to provide for the 3% maximum cost-of-living increase. The net impact of the two changes is that most active members will see an increase in member contribution rates.

Click on the link below to view both your current contribution amount and what your contribution amount will be beginning with your July 14 paycheck:

### Contribution Calculator

### Contributions now pay off later

An increase in contributions for some may spark the age-old question: what's in it for me?

With a defined benefit such as SDCERA's, mandatory contributions deducted from each of your paychecks fund only a portion of what you will eventually be paid in the form of a lifetime benefit once you retire. In contrast, by merely putting an equal amount into a savings account over the years, you might deplete that savings in a matter of years. With a defined benefit, however, once you become vested, you have earned the right to a lifetime retirement benefit, regardless of the actual amount of contributions you made.

## Only SDCERA

Only SDCERA keeps a record of your total current service credit and determines your final compensation amount for retirement purposes.

Each amount is reported to you annually, as of June 30, on the personalized member statement that you receive.

Your service credit is tracked by the hour. Your final compensation is your highest one year of eligible earnings (26 consecutive pay periods). Both of these factors are used to calculate your retirement benefit.

To learn more about how service credit and final compensation affect your retirement benefit, click here to download an enrollment form for our [Retirement Planning Workshop](#).

## SDCERA Definitions

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SDCERA uses an annual report, called an actuarial valuation, to determine whether the contributions to the pension fund paid by the employers and members—coupled with investment earnings—are sufficient to pay the retirement benefits for all current and future SDCERA retired members. This annual accounting is performed by an actuary—a professional trained in mathematical, statistical and accounting procedures—who uses variables such as life expectancy, average retirement age, average retirement benefit and other

important factors when preparing the valuation. If the actuarial valuation supports the need for contribution rates need to be adjusted, the Board of Retirement has the discretion to adjust the contribution rates accordingly, as was the case recently.

Click the link below to learn more about the importance of this yearly process:

### 2005 Actuarial Valuation

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