AFA UPDATE

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Planning for your Retirement
Two Negotiated Options

Starting with a shocking statistic is a great way to get a reader's attention — 75% of the SRJC Faculty — yes, fully three quarters — will be eligible for retirement in the next three years. This is probably why so many people are talking about retirement, the various options, the potential problems with the California State Teachers Retirement System (CalSTRS), the Social Security Windfall Act, Tax Sheltered Annuities, and the portability of health insurance. As these discussions take on greater significance, AFA receives more and more questions about two important options — the Early Retirement Option (ERO) and the Pre-retirement Reduction in Workload. These are extremely valuable and beneficial options for those considering their future retirement, but many faculty members have expressed some confusion about how they work and the difference between the two options.

The Early Retirement Option (ERO) — Another Kind of Golden Handshake

What is it?

In 1990 AFA negotiated the Early Retirement Option also known as the ERO, an option that many community college districts regard with great envy. Essentially Article 24.01 allows an individual to retire at a minimum of age fifty-five (55) and the District will pay for the same medical/dental benefit package that is received by full-time faculty employed at that time by the District. An alternative to receiving these benefits would be a monthly payment option equal to the cost of the premiums that would otherwise be paid for medical and dental benefits. Depending on the age at which an individual retires, this ERO benefit can total as much as $100,000 over a ten-year period; the amount of the unfunded liability must be calculated and set aside in a special reserve fund which will become an irrevocable allocation to a trust fund. This fund will be used to pay for this on-going future liability and may not be used by the District for any other expenses. This is why faculty must apply and be approved by the Board of Trustees in order to receive this potentially costly benefit.

Who is eligible?

The requirements for eligibility are outlined in Article 24.01.B of the AFA Contract, but here is a summary:

- Regular Faculty who have completed the equivalent of a minimum of fifteen (15) years of full-time employment with the District, five of which must have been as a regular faculty member;
- Fifty-five (55) years or a maximum of sixty-four (64) years of age on, or before, June 30 of the final year of service (or January 31 in the event of a mid-year retirement);
- Satisfactory completion and submission of the necessary Early Retirement Application and Agreement Forms by the applicable deadline.

Can I work someplace else?

The simple answer is "yes, you can" but if you become re-employed, some serious restrictions might apply. For example, if the early retiree subsequently becomes employed elsewhere, the benefits provided by the Sonoma County Junior College District under the ERO provisions become secondary to those provided by the new employer.

What about my benefits?

Should the early retiree terminate his/her medical/dental benefits package with the District in

(continued on next page)

order to use the stipend elsewhere, the District cannot guarantee that the early retiree will be reinstated by the insurance carrier under SRJC group coverage currently provided to the currently employed faculty. For instance, if you moved to Arizona and were insured under another carrier, and subsequently moved back to California, the District could not guarantee your approval for any currently existing SRJC health plans.

What should I do?

If you are interested in taking advantage of this option, you must contact Louise Burke in Human Resources at ext. 4304. The deadline for each academic year is the first work day of October, and mid-year retirees must apply in the first week of the Fall semester. In special cases exceptions to these deadlines can be made, but the final decision lies with the President/Superintendent and the Board of Trustees.

Pre-retirement Reduction in Workload—Easing Into Retirement

When we have discussions about retirement we realize that many faculty have confused the ERO with the Pre-retirement Reduction in Workload. They are two entirely different processes which provide very different benefits to the faculty member. The Pre-retirement Reduction allows eligible faculty to make a contract with the District to reduce his/her workload assignment to a specified percentage and for a specific period of up to ten (10) years. Other requirements under Education Code 87483 are:

- Age 55;
- Full time in an academic position or a position requiring certification qualifications, or both, for at least 10 years of which the immediately preceding five years were full-time employment without a break in service (sabbatical or other approved leaves of absence shall not be used in this calculation);
- The option of the reduced load shall be exercised by the employee, but can only be revoked with mutual consent of the employee and the District;
- Load and pro-rata salary of 50% or more at the election of the employee;
- Benefits to be paid by the employer;
- The period of reduced load shall not exceed the employee's 70th birthday.

Essentially the individual would choose a period of up to 10 years and designate a pro-rata load. Some faculty believe that this means 50%, but each individual may choose the percentage of load/income between 50 and 100% s/he desires. With a 50% load many faculty choose to work only one semester out of the academic year, but others have chosen 60% or 70% as a way to gauge the feasibility of actual retirement. Choosing a 60% load would mean working any load combination that averages 60% over the academic year.

Another area of confusion is about payment of benefits. Should you choose this pre-retirement reduction, you will be required to contribute to CalSTRS as if you were working a 100% load, and the District will continue to pay their full contribution. The District will also fully pay the premiums for your medical, dental, and vision benefits. The great advantage is that during this period of reduced workload, you will be accruing 100% of credit toward your CalSTRS years of service, while receiving fully paid health benefits. Many of our colleagues have worked this pre-retirement reduced load until they reached the magic 25 or 30-year mark where CalSTRS incentives are so important.

Planning Ahead

In looking toward retirement, you can actually choose either or both of these options depending on your length of service in the District and years of service in CalSTRS. Those decisions are yours to make, but be sure that you consult with an CalSTRS counselor and your tax advisor before you forge ahead. We suggest that you make a phone appointment with CalSTRS counselor Robin Hope, Senior Benefits Counseling Analyst. Individual telephone appointments with Robin are available by calling her assistant Luke Casillos at (916) 229-0776 or (800) 228-5453. They will set up an hour-long teleconference to discuss your situation—you may choose the location (home, office, or anywhere else) and time that works best for you.