

Calculating Retirement Benefits



Retirement is not a time for surprises. It should be a very planned and understood life event. Many members have no idea how their monthly lifetime benefit will be calculated when they retire. The good news is there is no mystery behind how benefits are calculated.

We are in a defined benefit plan and that means our retirement is based on a formula that is unchanging and predictable. It is very much like an algebraic formula in that the value of the formula's factors dictates the outcome. Any time you make one of these factors higher, the end result will be higher... in this case the dollar amount of your monthly retirement allowance.

When you retire, your benefit calculation will be based on four factors:

- Your age at retirement
- Your retirement service credit
- Final average earnable compensation
- Your Plan's retirement percentage factor

Factor 1: Your age at retirement is a very personal issue. There are minimum eligibility qualifications for retirement; however, no one can tell you when to retire. This is entirely your decision based on meeting the minimum eligibility requirements. A factor is assigned to your age at retirement based on quarter year increments.

Factor 2: Your retirement service credit is the amount of time you worked for an SBCERA-covered employer and paid contributions. One year of service credit is equal to 2,087 hours. Overtime hours are not a part of this equation.

Factor 3:

The highest average earnable compensation is an average of your monthly salary over a 12 consecutive month period (no matter when those high months occurred during your service). For retirement purposes, your earnable compensation is your base pay, plus any other additional pay items such as flexible medical dollars, uniform allowance, bilingual pay, shift differential pay, etc. Pay items not factored in include overtime pay and expense reimbursements.

Factor 4: Your plan's retirement factor is based on your type of membership. General members retirement percentage factor is two percent and Safety members retirement percentage factor is three percent.

One of the best ways to get familiar with this calculation is to do it yourself, to see a real dollars-and-cents example of what your retirement income will look like in the future. There is a great tool online at www.sbcera.org called the Benefit Estimator. It is a calculator function that can assist you in running different projections about your retirement benefit using the factors outlined above. Of course, you are always welcome to contact a SBCERA Retirement Representative and ask for a benefit estimate or assistance in using the online calculator by calling (909) 885-7980 or toll free (877) 722-3721.

Either way you choose, get an estimate today so that you can look toward your tomorrows with confidence and understanding.