



RETIREMENT 101:

5 DIFFERENCES BETWEEN REFUNDABLE AND NONREFUNDABLE CONTRIBUTIONS

1. The type of contribution you make does not affect your monthly retirement benefit

Your contribution option will neither reduce nor enhance your benefit once you are eligible for and elect retirement. The formula by which your retirement benefit is calculated is not dependent upon the type of contributions you make.

2. Nonrefundable is a reduced rate

If you designate your retirement contributions as nonrefundable, you pay a reduced rate. For example, as of July 2017, a County General Tier 1 Member with a contribution entry age of 30 would have a refundable contribution rate of 10.61%, or a nonrefundable contribution rate of 9.92%. This reduction is determined annually by the Board of Retirement and is subject to change.

3. Your contributions follow the rules under which they are made

If you have made contributions under both options, each sum of contributions follows the rules under which it was made. Nonrefundable contributions will never become refundable and refundable contributions will never become nonrefundable. You may be able to change your retirement contribution option during open enrollment if you are a Tier 1 Member and it is permitted by your MOU.

4. Only refundable contributions can be cashed out or rolled over

If you have refundable contributions and you leave employment without retiring, you may withdraw your refundable contributions plus earned interest in one lump-sum payment. These contributions can also be rolled over into a qualified retirement plan such as a 401(k). If you made only nonrefundable contributions you will not be able to withdraw or roll over any portion of your contributions. If you made contributions under both the refundable and nonrefundable options, only the refundable contributions can be refunded or rolled over. Selecting a refund or rollover of your contributions will end your membership with SBCERA and terminate any future claims for retirement benefits, including disability benefits.

5. Nonrefundable contributions cannot be paid to your beneficiaries

In the event of your death, your beneficiaries will have various options available to them dependent upon whether you were vested or non-vested, an active, deferred, or retired member and/or dependent upon the option you chose at retirement. Some of these options include a lump sum of undistributed refundable contributions. If you only made nonrefundable contributions, your beneficiaries will not receive this benefit. If you made contributions under both the refundable and nonrefundable options, only the refundable contributions and applicable interest may be paid to your eligible beneficiary.