



BCN RETIREMENT FAQ'S

The Most Frequently Asked Questions



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THE RETIREMENT PROCESS:

EMPLOYER NOTIFICATION & NECESSARY FORMS

★ **When should I notify my employer that I am planning to retire?**

Generally 3–6 months before your planned retirement date, so HR can finalize paperwork and benefit elections.

★ **When should I notify CalPERS (or my retirement system)?**

You can file your retirement application up to 120 days (4 months) before your retirement date. Filing early ensures enough time to process your application and avoid delays in your first pension payment.

Note: To establish reciprocity between systems you must use “The same retirement date” on each of your applications for every retirement you were a member (PERS, STRS, County 37, Private).

★ **What forms do I need to complete for my employer and my retirement system, and when should they be submitted?**

You must submit forms to both your employer and CalPERS—they do not notify each other.

CalPERS Forms:

- You must complete and submit a Service Retirement Application directly to CalPERS.
- This application can be submitted online via myCalPERS or by working you're your BCN advisor. We will mail your paper application on your behalf.
- Filing early allows CalPERS to review your account, resolve issues, and avoid delays in your first retirement check.

Employer Forms:

- Notify HR of your retirement and submit your official resignation/retirement notice.
- Complete any leave cash-out forms (vacation, comp time, etc.), post-employment health benefits forms, and other separation paperwork required by your department.
- Your employer must report your final payroll and any leave balances to CalPERS, so completing these forms on time is essential.

★ **When can a member make changes to their retirement application?**

A CalPERS member can modify their retirement date and/or benefit option within 30 days after the issuance of their first retirement check.

- This varies depending on the particular retirement system (STRS, PERS, County 37, Private)

★ **Can a member change their option or beneficiary after retirement?**

Members can only change their life option or beneficiary more than 30 days after retirement if they have a qualifying life event such as marriage, registration of domestic partnership, death of a beneficiary, or dissolution of marriage or domestic partnership.

Additionally, if the member selects either of the following survivor benefit options:

- 100% Beneficiary Option 2 with Benefit Allowance Increase
- 50% Beneficiary Option 3 with Benefit Allowance Increase at retirement:
- They can increase their benefit to the unmodified allowance should their life option beneficiary predecease them, or they get divorced from their beneficiary

Please Note: The member's ex-spouse must release all interest in their pension AND this must be approved by the courts.

★ **Who actually determines my pension numbers—My Retirement System, My Employer, or BCN?**

Your retirement system (CalPERS or another system) ultimately determines and finalizes your pension amount.

- Your employer provides payroll and service data, and each retirement system can provide a formal estimate based on this information.
- Most retirement systems use a trailing 12-month average of your reported income to calculate these estimates. This is useful, but it may not reflect your true highest year(s) or account for future changes.

The benefit of working with BCN: We go beyond the basic estimate. BCN can model scenarios such as promotions, incentive increases, pay raises, and different retirement dates. This allows us to provide a comprehensive and forward-looking pension estimate, so you can make better-informed retirement decisions.

POST-RETIREMENT:

PENSION CHECKS, ANNUAL COLA's & RETIREMENT DATES

★ **When should a member expect to receive their first retirement check?**

In most cases, a member should receive their first check within 45 days of their retirement date or application received date, whichever is more current. For example, if their retirement date is September 4th, their first check should be paid in early October.

★ **Is there a chance my retirement checks might change after retirement?**

Your retirement check will reflect payroll and service credit information posted by your employer at the time your retirement benefit was calculated. If your employer reports additional payroll information after you've retired, you may receive an adjustment retroactive to your retirement date.

In addition, an employer has up to 120 days after retirement to report unused sick leave when separating the member's appointment. These changes may impact the final benefit a member receives.

Allow at least six months for additional payroll to be processed and service credit adjustments made to your account prior to contacting CalPERS for a retirement benefit update.

To avoid delays, it's a good idea to follow up with your HR or payroll department to make sure your sick leave gets submitted promptly.

★ **Why Do Most CalPERS Members Retire at Mid-Year or Year-End?**

This strategy typically maximizes two key variables:

1. Timing of your first post-retirement COLA
2. The final compensation period used for pension calculation

1. COLA Eligibility Timing

To receive your first cost-of-living adjustment (COLA), CalPERS requires you to be retired for one full calendar year plus one additional day. This timing can make a significant difference in how soon your retirement income increases.

Example A:

- Final shift begins: 12/29/2025
- Off shift at 0800 hours on: 12/30/2025
- Final day on payroll: 12/30/2025
- Retirement date: 12/31/2025
- **First COLA applied: 05/01/2027**

Example B:

- Final shift begins: 12/30/2025
- Off shift at 0800 hours on: 12/31/2025
- Final day on payroll: 12/31/2025
- Retirement date: 01/01/2026
- **First COLA applied: 05/01/2028**

2. Maximizing Your Highest Year of Compensation

Most labor contracts include pay increases that align with the employer's fiscal year (July 1 – June 30).

- For Classic (Tier 1) members contracted for Single Highest Year, CalPERS calculates your pension based on your highest 12 consecutive months of PERS-reportable compensation.
- Many members strategically time retirement after working a full 12 months following a promotion, step increase, or major COLA to lock in the highest pensionable salary.
- **Note:** This is separate from the '10-month rule' used for earning service credit during a fiscal year.

Important Note for 1937 Act County Systems

Unlike CalPERS and CalSTRS, members of 1937 Act county systems do not have to wait until their second year in retirement to receive a COLA. Instead, they become eligible for their first COLA the first May 1 following retirement.

- For example, if you retire on April 30, your COLA would begin on May 1 of the same year.
- This makes April 1–30 a popular retirement window for 1937 Act members seeking to receive their first COLA quickly.

✦ **Is the 2% retirement COLA guaranteed, or can it change from year to year?**

Each employer has its own minimum contracted retirement COLA as determined by its CalPERS actuarial report. BCN can look up your specific agency's contract to confirm your exact COLA provisions.

- **CalPERS:** Most common minimum COLA is 2% annually.
- **County 37:** Most common minimum COLA is 3% annually.
- **CalSTRS:** Most common minimum COLA is 2% annually.
- **Private Systems:** The COLA's may vary between systems
- **For CalPERS members:** COLAs are applied each year on May 1, but your first COLA will not be applied until your second year of retirement.
- **CalPERS Safety members:** Are also protected by the "Purchasing Power Protection Allowance (PPPA)," which ensures benefits don't fall below 80% of original purchasing power.
- PPPA typically takes 10+ years to trigger because the 2% minimum COLA slows purchasing power loss.

✦ **How often are pension payments made, and when during the month should I expect them?**

CalPERS pension payments are made once per month in arrears. This means the payment you receive on the first business day of the month is for the previous month's benefit period.

- Payments are typically direct deposited on the first business day of each month, but deposits often appear in your bank account around the 30th or 31st of the prior month, depending on your bank's processing timeline.
- Your first payment after retirement usually arrives about one month after your retirement date (but can take longer if final payroll reporting is delayed by your employer).
- **COLA Reminder:** The annual Cost-of-Living Adjustment (COLA) is applied May 1 each year. Your first COLA is not applied until your second year of retirement, so it's important to plan for that in your income planning

★ When is the “right” time to retire?

As many of us at BCN are former public safety members ourselves, we understand the emotional weight of “walking out the door” and leaving behind a career you’ve dedicated your life to. From a financial perspective, there are many variables that can significantly impact your monthly retirement income:

- Promotions or step increases that may increase your highest income calculation
- Contract raises negotiated in your labor agreement
- Accumulation of additional service credit by working longer
- Timing your retirement to capture your highest 12 or 36 months of pensionable compensation
- Whether or not your employer is contracted for the Pre-Retirement Option 2W Death Benefit

Key takeaway: Members should always sit down with BCN to model multiple retirement date scenarios. We can project the impact of waiting an extra few months or years versus retiring now and help you weigh these financial outcomes against the personal risks of injury, burnout, or leaving benefits on the table.

★ "Do I need to work a full year at my highest salary for it to count toward my pension's 'highest single year' calculation?"

No, you do not need to work an entire year at your highest salary for it to count toward your pension calculation. There are two separate rules at play:

1. Service Credit (“10-Month Rule”):

If you work at least 10 months in a fiscal year (July 1 – June 30), you will generally receive a full year of service credit for that fiscal year

If you separate before reaching 10 months, you will only receive partial service credit for the time worked.

2. Compensation – (Highest 12 Month Ave – Classic | Highest 36 Month Ave - PEPR):

This calculation is independent of the 10-month rule. It looks at any consecutive 12 months (Classic) or 36 months (PEPRA) at your highest pensionable pay, regardless of the fiscal or calendar year

You do not need to work a full year at your top salary for it to count as your “highest single year” pay period.

SERVICE CREDIT:

RECIPROCITY, LEAVE BALANCES & HIGHEST PAY

✦ **How does unused sick leave/educational leave affect a member's retirement benefit?**
CalPERS may allow a member to convert their unused sick leave hours to service credit when retiring from PERS membership if their employer contracts for the benefit with CalPERS.

- A member must retire within 120 days from their last day of employment for this benefit to apply.
- Eight hours of sick leave or educational leave equals one day of service, or 0.004 years of service credit. 2000 hours of sick leave = 1 year of service credit.

✦ **Is it better to cash out my sick leave, vacation, or other leave balances, or convert them to service credit?**

The best way to evaluate this decision is by asking: What is the long-term impact of converting sick leave to service credit versus cashing it out?

Sick Leave:

- Converting sick leave to service credit increases your credited service years, directly boosting your pension for life.
- This additional monthly income is guaranteed and will typically continue for your surviving spouse at the selected survivor percentage.
- Cashing out your sick leave means paying taxes up front and either investing the net amount or letting it sit in a savings account.

Vacation/Comp Time:

- Vacation and comp time generally cannot be converted to service credit and are typically best cashed out.
- If cashed out, be aware of tax implications and explore options like deferring the balance into a 401(a) or other tax-advantaged account if available.

Bottom line: For most members, converting sick leave to service credit is the most valuable option. It provides a sustainable lifetime benefit that extends to your surviving spouse.

★ Which 12 months are used to calculate my pension?

Classic members:

- Your pension is calculated using your highest 12 consecutive months of “PERS-reportable compensation,” not necessarily your final 12 months of employment.

PEPRA members:

- Your pension is based on your highest 36 consecutive months of reportable compensation. Your pay is subject to the annual PEPRA compensation cap, so any salary above this cap is excluded.

★ What counts as “highest income”?

- Includes base salary plus pensionable special compensation items.
- Not all incentives are pensionable—it depends on MOU (labor contract) language and CalPERS rules.
- Overtime pay does not count toward your highest year(s) calculation.

★ How is a member’s service with a reciprocal retirement system used to qualify for retirement?

Service with a reciprocal retirement system, CalSTRS, JRS, JRSII, or LRS can be used toward qualifying for CalPERS retirement. However, each retirement system will calculate their retirement benefits separately and base the calculation up on only the years of service credited in each system.

Note: Please refer to our BCN Retirement Playbook for more specific information regarding reciprocity.

★ How does reciprocal final compensation exchange affect a member’s retirement benefit?

CalPERS will use the highest average annual compensation during any 12 or 36-month period of employment as a member of either system if they retire concurrently on the same day.

If the employee was last employed with a CalPERS-covered employer and believes their salaries with a previous reciprocal system may be higher, the employee should notify CalPERS when submitting their retirement application.

RETIREE HEALTHCARE:

EMPLOYER SPONSORED ACCOUNTS & RETIREE HEALTHCARE

✦ **What is a 401(a) account and do I need to open one?**

A 401(a) plan is a type of employer-sponsored retirement plan. It is not an account you can open on your own—it must be set up by the employer, and all employees in the group must be treated the same way regarding contributions or benefits.

Here's how it typically works:

- **Employer-installed:** The city or employer must establish the 401(a) plan. You cannot create one individually.
- **Uniformity:** All employees (or employees in the same bargaining group) must participate under the same rules for contributions or benefit distributions.
- **Use at retirement:** Many employers use a 401(a) plan to handle mandatory pre-tax contributions, such as cash-outs of vacation, comp time, or sick leave at retirement. These amounts are deposited directly into the 401(a) instead of being paid out as taxable income.
- **Tax advantage:** Contributions deposited into a 401(a) avoid immediate taxation and continue to grow tax-deferred until withdrawal.

Bottom line: If your employer requires certain leave payouts at retirement to be deposited into a 401(a), you will need to complete the account setup process before your retirement date. BCN can help you confirm which plan applies and what forms you need.

✦ **How should I plan for retiree health care costs with my post-employment benefits?**

Your retiree medical benefits are often tied directly to how they were negotiated in your employer's MOU (labor contract), which can make this a complex topic.

- Some departments offer longevity-based medical reimbursement plans, where the amount you receive depends on your years of service.
- Others may provide a combination of benefits, such as:
 - o MERP / VEBA accounts for medical expense reimbursement
 - o 401(a)H accounts for retiree medical funding
 - o Direct subsidies or stipends toward health care premiums
- Your employer's MOU and benefits summary will outline your specific retiree medical plan and eligibility requirements.

Key takeaway: Because retiree medical plans differ by department and bargaining group, it's critical to review your MOU and benefits summary to understand exactly how your plan works. BCN can help research the current plan rates and model your expected out-of-pocket costs in retirement.

★ **What is a VEBA account, and how does it differ from a 401(a)?**

A VEBA (Voluntary Employees' Beneficiary Association) is an employer-sponsored plan, typically used to pay for post-employment health care costs.

- Common example: The MERP (Medical Expense Reimbursement Plan) is a VEBA. Employers fund these plans, and retirees can use the funds for qualified medical expenses tax-free.
- Purpose: VEBA funds are generally earmarked for health-related expenses only, while 401(a) plans are designed for retirement income.
- Leave cash-outs: Some employers deposit unused sick leave, vacation, or comp time at retirement into a VEBA instead of (or in addition to) a 401(a).
- Tax advantage: Contributions to a VEBA are tax-free, and withdrawals for qualified medical expenses are also tax-free.

How it differs from a 401(a):

- VEBA: Funds are restricted to medical expenses and cannot be used for general income in retirement.
- 401(a): Funds can be withdrawn for any purpose (taxable as income), but withdrawals for health costs aren't necessarily tax-free.

Bottom line: If your employer uses a VEBA such as the MERP for leave payouts or medical benefits, you will need to complete any required setup before your retirement date. BCN can help confirm which plan applies to you and how it integrates with your overall retirement plan.

INVESTMENT MANAGEMENT:

INVESTMENT OPTIONS IN RETIREMENT

★ **What are the benefits of rolling over my 457(b) into my own IRA when I retire?**

Your 457(b) account is a solid retirement savings vehicle, but it's often limited in terms of investment options and flexibility. Rolling over into an IRA can offer you more control, cost savings, and access to professional guidance.

As a retiree, you might consider an IRA rollover:

- **Broader Selection:**
 - Most 457(b) plans have a small, pre-selected list of funds.
 - An IRA gives you access to thousands of investment choices: stocks, bonds, mutual funds, ETFs, and more.
- **Cost Control:**
 - In an IRA, you can choose low-cost investments that help improve long-term returns.
 - Some 457(b) plans include higher administrative or plan-level fees you can avoid by rolling over.
- **Personalization:**
 - You can build a portfolio that's truly tailored to your retirement age, income needs, and risk tolerance.
- **Professional Guidance:**
 - An IRA allows you to work directly with a fiduciary financial advisor.
 - Advisors can help design a strategy that fits your retirement income plan, not just your investments.

★ **When do I have to start Required Minimum Distributions (RMDs), and how do they work?"**

Required Minimum Distributions (RMDs) are the minimum withdrawals you must take each year from tax-deferred accounts like 457(b)s, 401(k)s, and IRAs once you reach a certain age. They start at age 73 if you were born in 1950 or earlier and age 75 if born in 1960 or later. If you're still working, you may be able to delay RMDs from your 457(b) until retirement, but this exception doesn't apply to IRAs.

- RMDs are based on your prior year's account balance and an IRS life expectancy factor.
- Withdrawals are taxed as ordinary income, and missing an RMD can lead to a 25% penalty.
- You can take your RMD in one payment or in smaller withdrawals throughout the year.

★ **Should I consider a Roth conversion in retirement?**

A Roth conversion lets you move money from a traditional 457(b), 401(k), or IRA into a Roth IRA. You'll pay taxes now on the converted amount, but future growth and qualified withdrawals are tax-free. This strategy isn't right for everyone, but it can help reduce taxes later in retirement.

- Roth IRAs do not have Required Minimum Distributions (RMDs) during your lifetime, which gives you more control over when and how you withdraw funds.
- Converting in a low-tax year can help you pay less in taxes on the conversion.
- Spreading conversions out over several years may prevent pushing yourself into a higher tax bracket.

★ **Should I consider working with a professional advisor in retirement?**

Managing investment income in retirement can be complex because you're coordinating pensions, Social Security, 457(b)/IRA withdrawals, and other accounts. A fiduciary advisor can help you avoid mistakes and create a plan designed to last.

They can help you:

- Set up a withdrawal strategy that balances income needs with growth.
- Minimize taxes by choosing the right accounts to draw from first.
- Adjust investments to match your retirement goals and risk tolerance

EMPLOYEE DISABILITY:

DISABILITY LEAVE & INDUSTRIAL DISABILITY RETIREMENTS (IDR)

★ Dose my injury have to be job-related to collect CalPERS disability retirement benefits?

No, to collect CalPERS disability retirement benefits the injury or illness that prevents you from being able to work does NOT need to be job related.

However, to collect Industrial Disability Retirement benefits, you must be prevented from working by a job-related illness or injury

★ How does a disability retirement (IDR) impact my pension payout and taxes?

A disability retirement (also called an Industrial Disability Retirement or IDR) has different rules for benefit amounts, taxation, and survivor continuance depending on your retirement system.

1. Tax Treatment:

- Generally, the first 50% of your benefit basis (Single Highest Year / 36 Month Average) is tax-free. Any amount above 50% is considered taxable income.

2. Continuance:

- Survivor continuance rules are different for IDR than for a regular service retirement and vary by retirement system.
- A key benefit of IDR is that its tax-free portion also remains tax-free for your survivor for life.

Example 1: PEPRA employee with 6 years of service (2.7% @ 57)

- Average of 3 highest years: \$140,000
- 2.7% @ 57 formula with 6 years of service = 16.2% of \$140,000 = \$22,680/year (~\$1,890/month)
- Minimum IDR benefit is 50% of final average salary = \$70,000/year (~\$5,833/month), which is significantly higher.
- Taxation: Entire \$70,000 is tax-free because it is at the 50% minimum.

Example 2: Classic member with 30 years of service (3% @ 50)

- 3% @ 50 formula = 90% of highest salary (let's assume \$140,000) = \$126,000/year (~\$10,500/month)
- Taxation: The first 50% of salary (\$70,000) is tax-free; the remaining 40% (\$56,000) is taxable.
- Taxable portion: 44.44% of the total pension ($\$56,000 \div \$126,000 = 44.44\%$).

Key takeaway: IDR can significantly increase benefits for members with fewer years of service, but it also changes survivor benefits and tax treatment. BCN can help you evaluate how an IDR would affect your specific situation and whether it is financially advantageous to pursue.



What is the difference between a Disability Retirement and an Industrial Disability Retirement (IDR)?

Disability Retirement:

- Can be based on any injury or illness, even if it is not job-related.
- You generally must have at least five years of service credit to be eligible. Second Tier members must have 10 years of service credit.
- Taxation: The entire benefit is typically fully taxable as ordinary income.

Industrial Disability Retirement (IDR):

- Eligibility is based on having a job-related injury or illness
- There is no minimum service credit (vesting) requirement..
- Taxation: Generally, the first 50% of the pension is tax-free, with any amount above 50% treated as taxable income.

★ **How long until I start getting my CalPERS disability retirement benefits?**

After CalPERS receives your disability retirement application, they will send you an acknowledgment letter. Once they have received all of the required documentation and forms, they begin the review process to see whether the information is considered current and complete, and if a determination can be made. In many cases, CalPERS will request additional documentation and/or an independent medical examination.

Generally, disability or industrial disability retirement applications take three months or longer, after CalPERS has received all the requested information. Every time CalPERS decides they require additional information, the determination process is delayed.

★ **If I've been on 4850 (Injury on Duty Leave) for a year, how does that affect my service credit and pension?**

While you are on Labor Code 4850 leave, you continue to accrue service credit as if you were actively working. This means your time on 4850 counts toward both your total years of service and your single highest year calculation for pension purposes.

- Once 4850 leave is exhausted (usually 1 year) and you transition to Long-Term Disability (LTD) or Workers' Comp disability payments, you will stop accruing service credit.
- LTD or Workers' Comp disability payments also do not count as compensation for purposes of calculating your single highest year (or highest 36 months for PEPRA members).

Key takeaway: Being on 4850 leave does not hurt your service credit or highest year calculation, but once you move to LTD, both service credit accrual and salary credit stop. This can impact your pension amount if retirement is delayed while on LTD.

SURVIVOR OPTIONS:

PAYOUT OPTIONS & SURVIVOR CONSIDERATIONS

✦ **Beneficiary vs. Survivor – What’s the Difference?**

• **Survivors:** Certain eligible individuals (spouse, registered domestic partner, minor child, or financially dependent parent) may receive a Survivor Continuance benefit. This is separate from the option you choose and is typically employer-funded. Survivor Continuance does not reduce your monthly pension.

- **Beneficiaries:** The person(s) you name to receive your pension benefits when you pass away. This can be the same as or different from your survivor. Beneficiary payments depend on the option you choose below.

✦ **What is survivor continuance?**

Survivor continuance is an employer contracted benefit. They would contract to pay an eligible survivor 25% or 50% of your unmodified allowance. You must have an eligible survivor when you retire, and that survivor must remain eligible until you die. You cannot choose your survivor.

A survivor is defined by law as:

- A spouse or registered domestic partner who was married or registered to you for at least one year before your service retirement date and continuously until your death. For disability or industrial disability retirement, you only need to be married as of your retirement date and remain married until your death.
- If no eligible spouse or domestic partner, your natural or adopted unmarried children under age 18. The benefit would be paid until they marry or turn 18. Your unmarried child who was disabled prior to age 18 and whose disability continues without interruption until the disability ends or until marriage.
- Qualifying financially dependent parents, if none of the above.

✦ **What is an “unmodified allowance” and how is it calculated?**

Your unmodified allowance is the highest possible monthly benefit you can receive after you retire from CalPERS. It is based on your benefit formula, your age at the time of retirement, and your highest final compensation.

WHAT ARE YOUR PENSION SURVIVOR OPTION CHOICES?

Survivor Option	Explanation
Unmodified Option	Highest monthly benefit paid to you. No continuing payment to beneficiaries, though survivor continuance may apply.
Option 1	Slightly reduced benefit. Any remaining member contributions are paid as a lump sum to your beneficiary when you die.
Option 2 (100% Continuance)	Lower monthly benefit, but 100% of your reduced amount continues for your beneficiary's lifetime.
Option 2W (Pop-Up)	Same as Option 2, but if your beneficiary dies first, your benefit "pops up" to the full unmodified amount.
Option 3 (50% Continuance)	Higher monthly benefit than Option 2, but only 50% of the reduced amount continues for your beneficiary's lifetime.
Option 3W (Pop-Up)	Same as Option 3, but if your beneficiary dies first, your benefit "pops up" to the full unmodified amount
Option 4 (Custom or Court-Ordered)	Allows a tailored arrangement (e.g., combination of other options, fixed-term payments, multiple beneficiaries, or QDRO/community property elections).