

# EMPLOYMENT GUIDE FOR PARTIAL SERVICE RETIREMENT & FULL RETIREMENT WITH SMUD





## Table of Contents

A New Vision of Retirement .....	1
Partial Service Retirement	
• How it Works.....	2
• Eligibility Requirements .....	3
• How to Apply.....	3
• Partial Service Retirement Work Schedule.....	3
• Estimating Your Partial Service Retirement Allowance...4	
• Other Considerations.....	5
Employment in Full Retirement.....	8
• Temporary vs. Permanent Positions.....	8
• Employment or Co-Employment through a Third Party Employer (All Retirees).....	9
• Independent Contractor.....	9
• Work after Receiving Unemployment Insurance .....	9
• Employment While on Disability Retirement.....	9
• Unlawful Employment.....	10
Become a More Informed Member .....	11
• CalPERS On-Line.....	11
• Call CalPERS.....	11
• Seminars and Workshops.....	11
• How to Register for Seminars and Workshops .....	11
• SMUD Human Resources Department.....	11

*NOTE: While reading this material, remember that SMUD is governed by the California Public Employees' Retirement Law. The statements in this booklet are general. The Retirement Law is complex and subject to change. If there is a conflict between the law and this booklet, any decisions will be based on the law and not this booklet.*

## A NEW VISION OF RETIREMENT

The vision of retirement in America is changing. Although most people who are approaching retirement envision it as a period that will include leisurely pursuits, new experiences, and time spent with loved ones, according to the American Association of Retired Persons (AARP), the majority also expect their retirements to include some form of work. Often the reasons given for why someone might want to work in retirement include some combination of financial concerns, a desire to stay mentally and physically active, and remaining productive and useful.

Whatever your vision of retirement includes, the transition between working and retiring can be a confusing time. If you are thinking about working after retirement, you should consider it part of your financial planning. In fact, a job during your retirement can have a positive effect if you properly plan for it.

Your retirement benefits are provided to you through the California Public Employees Retirement System (CalPERS). The District contracts with CalPERS and contributes on behalf of all employees. The District has prepared this booklet to help those of you considering some form of employment in full or partial retirement.



## PARTIAL SERVICE RETIREMENT

For business reasons, the District offers Partial Service Retirement to retain seasoned, regular, full-time employees who are eligible for retirement. The advantages to you include reduced work hours and the opportunity to continue earning a paycheck while also drawing a partial retirement benefit (referred to as “retirement allowance”).

### How It Works

If the District and CalPERS approve your request for Partial Service Retirement, you may reduce your work time by at least 20%, but not more than 60%. For example, if you are a full-time employee working 5 days a week, you can choose a minimum reduction of 20% so that you work only 4 days a week. If you want a bigger reduction in work time, you can reduce your schedule by up to 60% so that you work only 2 days per week. You must work a set schedule of hours agreed upon with your supervisor and you **cannot work overtime**.

Your retirement allowance is based on the reduction of your work time. For example, if *you reduce your work time* by 30% (working 70% of full time) your retirement allowance will be 30% of your full service retirement benefit.

Once your Partial Service Retirement begins, you become a non civil service employee with civil service return rights. District employees with permanent civil service status who are appointed to non-civil service positions will be granted a right of return to their previous class prior to partial service retirement.

Benefits and current payroll deductions remain unchanged, except personal and sick leave accruals are based on the actual number of hours worked. You continue to be eligible for holidays if they fall on your normally scheduled work day and work time (hours).

You may decrease your already-reduced work time once each CalPERS fiscal year (July 1 through June 30). You may increase your work time once

every five years starting from the date you began your Partial Service Retirement.

With the District’s approval, you may end your Partial Service Retirement at any time and apply to return to regular full time employment. However, once you withdraw from Partial Service Retirement, you cannot reapply for five years.

The District can ask you to return to a full-time schedule at any time. If you do return to service, you must wait five years from the time you returned to service before applying again for Partial Service Retirement. If you elect not to return to a full-time schedule, then you must seek other opportunities including full retirement.



## Eligibility Requirements

You are eligible for Partial Service Retirement if:

1. You are a regular full-time District employee (excludes limited term, part-time and casual employees); and
2. You have reached 55 years of age and have at least 10 years of CalPERS service.

You may refer to your membership booklet or contact the Human Resources Department – Benefits & Payroll section to determine your benefit formula.

## How to Apply

Before you can begin your Partial Service Retirement, you must first obtain approval from your supervisor and management. To apply submit a written request to your supervisor.

Once your supervisor advises you that management approved your request, complete a Partial Service Retirement Application (Form No. DPA-062). This form is available on the HR website, under Benefits-Partial Retirement and on the Department of Personnel Administration's website at [www.dpa.ca.gov](http://www.dpa.ca.gov). To ensure timely processing, submit your completed application to CalPERS at least 60 days before you plan to begin Partial Service Retirement. The effective date must be the same date of your work time reduction and can be the first day of any pay period.



NOTE: Once CalPERS has notified you that your application for Partial Service Retirement is approved; you must submit the approved application to your supervisor. Your supervisor will complete an ESN and attach it to your approved written request and the approved Partial Service Retirement Application. You or your supervisor must then submit all documents to the HR Department – Benefits & Payroll section for processing. If you have any questions or need further information, please contact the HR Department – Benefits & Payroll section at (916) 732-5582.

## Partial Service Retirement Work Schedule

Once your application is approved by CalPERS and you begin your Partial Service Retirement work schedule, the total number of hours you work in a given pay period cannot exceed the approved amount of hours; although the number of hours you work per day can fluctuate. You cannot work overtime.

## Estimating Your Partial Service Retirement Allowance

The easiest way to estimate your Partial Service Retirement allowance is to use the Retirement Planning Calculator at [www.calpers.ca.gov](http://www.calpers.ca.gov) to determine your full service retirement allowance. Then, multiply your partial retirement percentage times the full service retirement allowance.

To estimate your Partial Service Retirement allowance without using the online Retirement Planning Calculator, you will need to know your years of service credit, benefit factor and final compensation. See below for examples and space to estimate your allowance.

**Service Credit** - This is the amount of CalPERS-covered service you have earned. Refer to your latest CalPERS Annual Member Statement for your service credit and add any credit that you have earned since that time. You will continue to earn service credit while you are working during Partial Service Retirement.

**Benefit Factor** - Your benefit factor is the percentage of pay you are entitled to receive for each year of service. It is determined by your age at Partial Service Retirement. Refer to your Member Benefit Booklet available through the Human Resource Department, any CalPERS office or by going to [www.calpers.ca.gov](http://www.calpers.ca.gov) for a table showing your benefit factor.

**Final Compensation** - This is your average monthly pay rate based on your highest level of income during your final 36 consecutive months of earnings. You may elect a different 36 consecutive month period if it produces a higher average monthly pay rate. Your benefit is coordinated with Social Security and you must reduce your monthly earnings by \$133.33 when computing your allowance.



### Benefit Example – Allowance Estimates

The example is based on the following information:

Age at Partial Service Retirement	=	55
Years of service credit	=	25
Final compensation	=	\$3,000
Reduction of work time	=	40%

#### Example:

25	x	2.0%	=	50%	x	\$2,866.67	=	\$1,433.34	x	40%	=	\$573.34
Service Credit		Benefit Factor				Final Compensation (\$3,000 - 133.33)		Full Service Retirement Allowance		Work Time Reduction		Partial Service Retirement Allowance

#### Estimate Your Partial Service Retirement Benefit:

_____ yrs	x	_____ %	=	_____ %	x	\$ _____	=	\$ _____	x	_____ %	=	\$ _____
Service Credit		Benefit Factor				Final Compensation (\$x,xxx - 133.33)		Full Service Retirement Allowance		Work Time Reduction		Partial Service Retirement Allowance

**Other Considerations**

**Allowance Adjustments** – Your Partial Service Retirement allowance will be based on your age, salary, and service on the date you first become entitled to the allowance. A salary increase after you begin receiving a Partial Service Retirement allowance will not change your allowance amount. If you increase or decrease your work time, your new allowance will be based on the original allowance calculation. There are no cost-of-living increases for Partial Service Retirement allowances.

**Changing Jobs**

If you transfer from the District to another agency that participates in CalPERS, you may continue your Partial Service Retirement if:

- Your new employer has contracted with CalPERS for Partial Service Retirement,
- Your new employer approves your Partial Service Retirement, and
- You remain a State Miscellaneous, State Industrial or Public Agency member.

**Separating from the District**

If you permanently separate from the District and do not transfer to an employer that participates in CalPERS, you cannot continue your Partial Service Retirement. However, you may:

- Apply for a full service retirement,
- Terminate your CalPERS membership and receive a refund of your contributions plus interest, or
- Leave your contributions on deposit with CalPERS and apply for retirement or a refund at some time in the future.

**Full Service Retirement**

You may apply for Full Service Retirement at any time by submitting the retirement application (PERS-PUB-43-Stepping into Retirement...A Guide to Completing Your CalPERS Service Retirement Election Application). However, it is to your advantage to earn at least one year of service credit under Partial Service Retirement before doing so. Since your work time under Partial Service Retirement is less than full time, it will take more than one fiscal year to earn one year of CalPERS service credit as shown on the table at the right.

Visit the CalPERS On-Line website at [www.calpers.ca.gov](http://www.calpers.ca.gov) to calculate your own full service retirement estimate online.

**Retired Annuitant**

If you want to decrease your work time so that you will be working less than 960 hours during a fiscal year, you might consider working as a retired annuitant. The law allows you to work almost half time and collect your full retirement allowance. See the **Employment in Full Retirement** section in this booklet.



Percent of Partial Retirement	Required months to earn one year of service credit
20	13
25	14
30	15
40	17
50	20
60	25

### **Important Tax Information**

Your Partial Service Retirement benefit is taxable income and must be reported to the tax authorities annually. A partial retiree remains in active member status. Distributions received by active members prior to age 59-1/2 from a qualified retirement plan such as CalPERS are considered “early” distributions under Section 72(t) of the Internal Revenue Code (IRC). Early distributions from a qualified retirement plan are subject to an additional 10% federal tax and 2-1/2% California state tax on the taxable portion of the distribution, PLUS any income tax due on the distribution.

Only federal and California state income taxes can be deducted from your Partial Service Retirement allowance through CalPERS. You may elect **not** to have tax withholding election regarding your allowance through CalPERS. You will receive an annual Form 1099R that reports the gross amount of Partial Service Retirement allowance you have received and the amount of federal and/or California state tax deductions for each tax year in which you participate. If you have questions regarding your withholdings on your allowance or any other questions on your allowance, please contact CalPERS.

SMUD Payroll can only change withholdings applicable to your SMUD paycheck. You may elect not to have tax withholding from your paycheck by submitting a signed withholding election form to Payroll. You will receive an annual W-2 Form that reports earnings received and tax withholding from SMUD. If you have questions regarding your withholdings on your paycheck or any other questions on your paycheck, please contact SMUD Payroll.

While CalPERS can provide you with information on some tax laws that relate to your Partial Service Retirement, you should request additional information regarding the taxability of your Partial Service Retirement benefit from the Internal Revenue Service (IRS), California Franchise Tax Board, or your tax advisor. You can contact the IRS by calling toll-free, (800) 829-1040, or by visiting the web site at [www.irs.gov](http://www.irs.gov). If you have California state tax questions, please contact the California Franchise Tax Board at (800) 852-5711 or by visiting the web site at [www.ftb.ca.gov](http://www.ftb.ca.gov).

### **Mailing of Checks**

Currently, Partial Service Retirement payments are processed manually. Your check, also known as a “warrant,” is mailed to you on or shortly after the first of each month. Direct Deposit (electronic fund transfer) is not available for these payments. While they can be mailed to your financial institution for deposit into your account, the only available space to print the checking / savings account number is in the mailing address. Since the information is visible in the window of the envelope, this is not recommended.

### **Payroll Deductions**

Any payroll deductions you have as an active employee (health and life





insurance premiums, union dues, credit union payments, deferred compensation, etc.) will continue and must be taken from your District paycheck, not your Partial Service Retirement benefit. If you have any questions regarding payroll deductions, contact your HR Department – Payroll section (916) 732-5523.

***Health, Dental, Vision and Life Insurance***

While you are on Partial Service Retirement, you are considered a regular full-time employee. Your health, dental, vision and life insurance coverage are not affected by Partial Service Retirement. Remember, though, that any premium payments will be deducted from your District paycheck and not from your Partial Service Retirement allowance.

***Social Security***

You may draw Social Security benefits while receiving your Partial Service Retirement allowance; however, your earnings – salary and Partial Service Retirement benefit combined – may cause your Social Security benefits to be reduced if they exceed allowable limits. Please contact your local Social Security office for more information.

***Injury, Illness, or Leaves of Absence***

If you are unable to perform your job because of an injury or illness, you may be eligible for disability retirement while on Partial Service Retirement. If your injury or illness requires that you take a leave of absence or go on Non-Industrial Disability Leave, you can continue your Partial Service Retirement with the District’s consent.

***Leaves of Absence and Holidays***

You can also remain on Partial Service Retirement if you require other types of leave. You will continue to earn personal leave and sick leave based on actual hours worked and your particular accrual rate (see Schedule of Benefits for your employee group). You will also continue to earn Floating Holidays. You will be eligible for holidays if and when they fall on a day you are normally scheduled to work.

***Death Provisions for Beneficiaries***

While you are on Partial Service Retirement, you are considered a regular full-time employee. If your death occurs during Partial Service Retirement, all death benefits payable will be paid in the same manner as active member pre-retirement death benefits. See your CalPERS Member Benefit Booklet for more information.



## EMPLOYMENT IN FULL RETIREMENT

If you have retired from the District and are thinking about returning to work, you should review this section carefully. When it comes to collecting your pension, California retirement law governs the type of employment you may have after you have retired. If you are hired into a permanent position (full-time or part-time) with the District or another CalPERS employer, you will apply and be reinstated from retirement, which will cancel any current payment of your pension to you.

There are some basic rules you need to know about so that you do not put your CalPERS service, disability or retirement benefits at risk. You may continue to collect your pension in retirement if you:

- Work for the District or a CalPERS employer as a temporary employee with certain restrictions, or
- Are self employed, work for private industry or any non-CalPERS agency, or
- Are employed while on disability retirement in a position significantly different from the job from which you were found disabled, or
- Are hired into a permanent position that is exempt from restriction by CalPERS law.

You may work for the District without reinstatement from retirement if all of the following conditions are met:

- You have skills needed to perform work for a limited time, or your employment is needed during an emergency to prevent stoppage of public business,
- Your temporary employment will not exceed 960 hours (including overtime) in a CalPERS fiscal year (each July 1 to June 30) the following year.
- You are paid between the minimum and maximum amount paid to employees performing comparable duties. You are over the normal retirement age of 55. If you are under 55 years of age, there can be no agreement (either verbal or written) before retirement to render services to any CalPERS employer regardless of length of separation. Also, if you are less than 55 years of age, there must be a bona fide separation in service of at least 60 calendar days before you can return to any CalPERS covered employment.



### Temporary vs. Permanent Positions

Working as a **permanent** employee of any CalPERS employer, whether part or full time, will result in reinstatement from retirement into active employment and having your pension stopped.

### **Employment Or Co-employment Through A Third Party Employer (All Retirees)**

If you are considering employment with a CalPERS employer such as the District that recruits employees and retirees through a third party employment agency, contact CalPERS. Your employment could be subject to CalPERS restrictions, even if a third party employer pays you.

### **Independent Contractor**

You may be hired as an independent contractor or consultant for a CalPERS employer without being reinstated and having your pension stop. However, you should contact CalPERS to review such contracts before entering into one because, upon review, many of these relationships are in fact employee-employer relationships.

### **Work after Receiving Unemployment Insurance**

If you receive unemployment insurance based on temporary employment with a CalPERS employer, you cannot accept any temporary position with the same employer for 12 months after the last unemployment payment you received.

### **Employment While on Disability Retirement**

If you wish to be employed with the District or another CalPERS employer while on disability retirement, you can work more than 960 hours in a fiscal year and continue to receive your disability retirement benefits if:

- Your employment is in a position significantly different from your job when you became disabled,
- You have received approval from CalPERS, and
- The total of the employer-paid portion of your monthly benefit and your new earnings does not exceed the pay for the position from which you retired. (If it is, your retirement benefit will be reduced.) This earning limitation does **not** end when you reach age 50.

To request approval to work for a CalPERS employer and continue your disability retirement benefits, you must:

- Complete and sign Section 1 of the Request to Work While Receiving Disability/Industrial Disability Retirement Benefits form (PERS07M0044DMC) provided on [www.calpers.ca.gov](http://www.calpers.ca.gov);
- Have your prospective employer complete Section 2 of the form, stating intent to hire you upon CalPERS' approval; and
- Have your treating physician provide CalPERS with a medical report, stating that he/she has recently examined you, reviewed the job duty statement, and finds that you are able to perform the job without limitations.



CalPERS may require an independent medical evaluation to supplement your doctor's report.

If you are under age 50 and performing duties similar to those from which you were previously found disabled, CalPERS can re-evaluate your medical condition to determine if you should be reinstated from disability retirement.

*Note: If you were retired from a local safety position and want to request employment into any local safety position, you must submit your request to the District.*

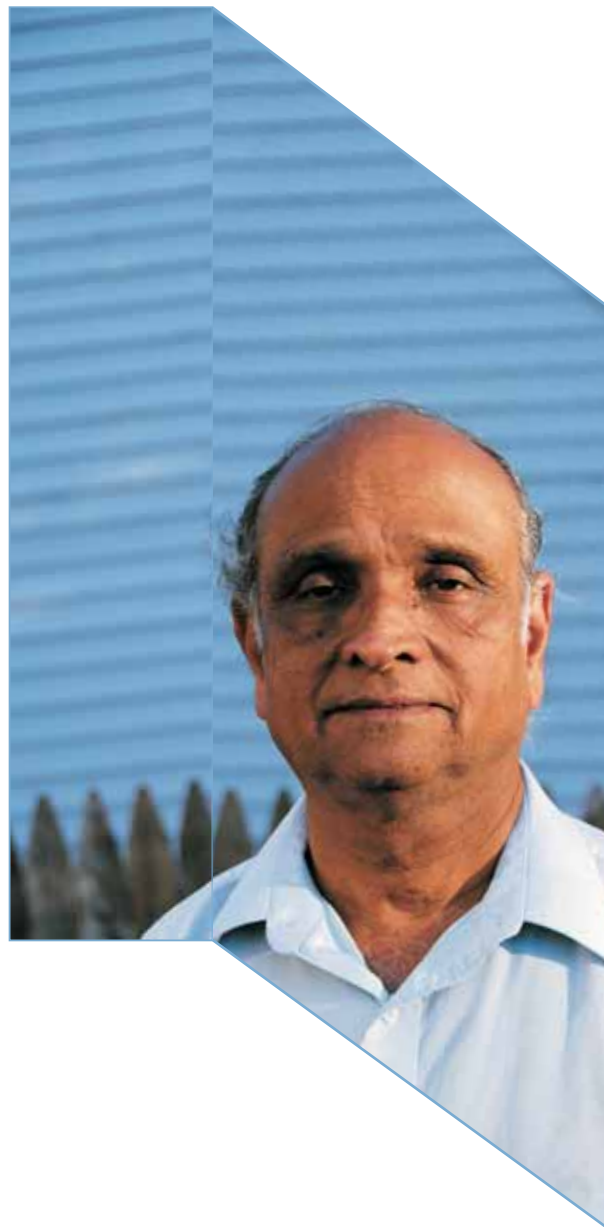
## **Unlawful Employment**

Employment found to be in violation of CalPERS law (unlawful employment) can result in your mandatory reinstatement from retirement and discontinuation of your pension payment. If you are working in a permanent full or part-time position with the District or any other CalPERS employer before applying for voluntary reinstatement, you can be subject to mandatory reinstatement, retroactive to the date the unlawful employment began.

If you are reinstated, you will be required to reimburse CalPERS the amount of retirement allowance you received during the period of unlawful employment. In addition, you will be required to pay the retroactive CalPERS member contributions, plus interest, equal to the amount that would have been paid had your reinstatement occurred at the start of your unlawful employment. You could also be assessed the cost of any administrative expenses incurred to process your mandatory reinstatement, to the extent you are determined to be at fault.

Likewise, the CalPERS employer who employed you unlawfully will be required to pay retroactive employer contributions, plus interest, equal to the amount of employer contributions that would have been paid had your reinstatement occurred timely. Your employer could also be assessed the cost of any administrative expenses incurred to process your mandatory reinstatement, to the extent the employer is determined to be at fault.

For more information about the reinstatement process, please review the Reinstatement from Retirement publication available at [www.calpers.ca.gov](http://www.calpers.ca.gov) or by calling the toll-free number 888-CalPERS (888-225-7377).



## BECOME A MORE INFORMED MEMBER

### CalPERS On-Line

Visit for information on all benefits and programs and to use online services, including access to your personalized CalPERS information at [www.calpers.ca.gov](http://www.calpers.ca.gov).

### Call CalPERS

888 CalPERS (or (888) 225-7377) (toll free)  
Monday through Friday, 8:00 a.m. to 5:00 p.m.  
TTY for speech & hearing impaired: (916) 795-3240

### Seminars and Workshops

- Financial Planning Seminars help you learn about your CalPERS benefits and the importance of financial planning.
- Retirement Planning Workshops help you review your CalPERS benefits.
- Financial Planning Seminars for Retirees help you keep your financial plan on track after you've retired.

### How to Register for Seminars and Workshops

The easiest way to register is by going to CalPERS On-Line. In the Member Information section of the Web site, look for the "Seminars, Workshops & Events" link on the left side navigation bar. You can also register by calling the CalPERS Customer Contact Center at the number shown above.

### SMUD Human Resources Department

Benefits Section: (916) 732-6062  
Payroll Section: (916) 732-5523  
Partial Service Retirement: (916) 732-5582



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WORKING TOGETHER

