Retirement Options for Part-time
Faculty
By Phyllis Eckler

There have been many changes made to part-time faculty retirement programs in the last year and a half and many legislative initiatives that will hopefully go further toward making retirement savings pay future dividends. To begin with, Glendale Community College part-timers must elect one of the two plans offered by the California State Teacher's Retirement System (CalSTRS).

The CalSTRS Cash Balance (STRS CB) plan allows immediate vesting (that means that BOTH the employee's contribution of 4% and the employer's 4% contribution will always be available to the enrolled member). As noted above, 4% of all employee earnings and 4% of district funds are used to fund this retirement program. These contributions accrue a set percentage of interest yearly which is based on the 30-year Treasury rate. It usually hovers around 6%. The Cash Balance plan is a retirement savings vehicle much like a 401K. The total amount of money that collects over time plus any interest that accrues is available to the faculty member upon retirement or at age 59 1/2. If an instructor leaves the teaching institution their money may be left in the CalSTRS program until retirement or they may elect to roll it over to another retirement program such as an IRA without incurring a penalty.

The other plan which part-timers may elect is called the CalSTRS Defined Benefit (STRS DB) Program. This is more of an old fashioned pension plan. Employees contribute 8% of their pay to the plan while their employer contributes 8 1/4%. It takes the equivalent of 5 years of FULL-TIME teaching to vest in this program (i.e. to take advantage of both the employee's AND the employer's contributions). If a part-timer does not vest in the program before deciding to retire he/she would only receive their own 8% contribution back plus interest. Also once election has been made to join the STRS DB a part-timer may not choose to go back to the Cash Balance plan.

Although there are obvious risks involved in choosing the STRS DB program (such as the uncertainty of vesting) recent changes have made this option somewhat more attractive. A pension (STRS DB), unlike a retirement savings plan (STRS CB), never runs out of money. It pays the member a defined amount monthly until death.

This amount is determined by three factors that are multiplied together. The formula is as follows:
Service Credit X Final Compensation X Age Factor = Monthly Pension

Service Credit
This is determined by how many years the teacher has taught. In the past this service credit computation was very much skewed against part-timers because it was figured in hours taught be a full-timer in one year. A full-time year of teaching for the average lecturer was considered to be 15 hours in the classroom and 15 hours of preparation and

grading per week times 35 weeks per year. This amounted to 1050 hours per year. Part-timers who were in the STRS DB program only received service credit for the teaching time and none for preparation and grading. This meant that a part-timer teaching half as much as a full-timer (7.5 hours per week) only received 25% service credit, not 50%. This was because the part-timer was not given credit for the other 7.5 hours of grading and preparation since he/she wasn't actually receiving pay for that. As this inequity was brought to light legislation was passed to change the calculation of a full-time year to include only the 15 hours of teaching per week that a full-time lecturer does, not the preparation and grading; thus the calculation for a full-time year of service credit became 525 hours per year (15 hours of teaching X 35 weeks/yr.). This change has finally been instituted at Glendale College for all part-timers as of this Spring. The other change, as of July 2001, allows ALL hourly work done by a part-timer including office hours, release time, substitute teaching and intersession teaching to be counted toward the full year's service credit. In this way it is now possible for a part-timer to actually get a full year's service credit even though by law he/she is only allowed to teach up to 60% of a full-timer's load. Another law that was recently passed allows part-timers to use funds from their Cash Balance savings plan to "buy back" service credit time so that it would not really take 5 future years to vest in the Defined Benefit program if one decided to "buy back" years of part-time teaching.

Final Compensation

The other factor that is used in the calculation of a part-timer's monthly pension upon retirement is one's "final compensation", sometimes called the "annual earnable." This is the annual salary that a part-timer WOULD earn IF he/she worked 525 hours per year. This salary amount is derived by taking the part-timers hourly pay and multiplying it times 525 (the amount that would equal a full teaching load). It doesn't matter how many hours the part-timer ACTUALLY worked in a single year (even his very last year before retirement). The part-timer could work one hour a week for that last year and the "final comp." amount would still be whatever his/her hourly pay was times 525. Obviously a part-timer's "final comp" amount was higher under the old 1050 hour system because the hourly pay was being multiplied by 1050 to give the part-timer an "annual earnable" that was twice as high. A part-time member must use the average "annual earnable" of any three consecutive years of teaching to come up with their "final comp" amount for the above formula. Those part-timers who wish may still use that 1050 multiple but only to multiply the hourly pay that they were paid in the year that that 1050 multiple was used (i.e.2002 and earlier). In other words a part-timer retiring in 2004 cannot use her 2004 hourly pay (which because of annual raises is usually higher each year) and multiply it times 1050. She can only use the hourly pay amount from 2002 or earlier for that. If she wanted to use the year 2004 as one of her final comp years (remember you need to use the average final comps of 3 consecutive years) she would have to multiply her hourly pay times 525 which would obviously yield a much lower amount.

Age Factor

This is probably the most straight forward part of the formula. If a part-timer retires at age 50 the multiple that would go into the formula would be .011. If he/she retired at age 63 the multiple use would be .024. This was done to provide an incentive to teachers to retire later rather earlier from the teaching profession. Of course there is a range between those two multiples and a complete table for each age is available from CalSTRS.

What Does All This Mean?

The basic difference between the STRS Cash Balance plan and Defined Benefit plan is that the former has a limited payout based on contributions plus interest. The latter has an unlimited monthly benefit until death. The total benefit amount for the STRS DB program usually far outstrips that of the total contributions made by the worker during his/her career and is only limited by his lifespan. For part-time faculty who have no other retirement options and who expect to stay in the profession it is now easier to vest in the STRS DB program. STRS DB also offers some coverage in case of disability and allows for survivor benefits for partners and/or children. One needs to keep in mind that because the STRS DB plan is a pension it has an affect on one's social security allowance which is diminished up to 50% by the receipt of STRS DB payments. There is legislation working its way through Congress that may improve this situation. Part-timers may want to also keep in mind that even after choosing retirement they can still work and received STRS benefits as long as they earn less than $23,000 per year.

There are many other factors that part-timers should be aware of before electing STRS DB coverage. Since once the STRS Defined Benefit program is chosen a part-timer may not switch back into the STRS Cash Balance plan. Issues that concern part-timers about STRS DB and examples are given in the Issues section of the Guild website at www.glendale.cc.ca.us/guild and an easy benefits calculator can be found at the Cal STRS website at www.calstrs.ca.gov.