

## **The Pension Trust**

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### **Retirement Plan – What does my account balance mean?**

Your Annual Statement from SLOCPT shows your Contributions balance. What does this total Contributions number mean? First, we need to review how your pension is funded –

**Member Contributions:** Employees pay a portion of the contributions necessary to fund their pension benefit. The average Employee Contribution is about 16% of pay. What shows up on your Annual Statement from SLOCPT is the cumulative total of all your contributions plus interest that make up your Account Balance or Contributions. This is your individual “bucket” of funds.

**Employer Contributions:** Your Employer pays a portion of the contributions necessary to fund your pension benefit. The average Employer Contribution is about 33% of pay. These Employer pension contributions are recorded in one big combined “bucket”, or reserve. Your Annual Statement from the SLOCPT does not reflect the Employer contributions.

**When you retire...:** If you have 5 or more years of Pension Trust Service Credit (PTSCs) you are “vested” in the pension plan. When you are vested and age-eligible to retire (age 50 for Tier 1 & 2, age 52 for Tier 3) or older, you may begin drawing your pension benefit. This pension is paid for life – no matter how long you live. To fund that benefit, your individual “bucket” of Contributions is poured into the pooled bucket of Retiree Reserves. Then, some portion of the Employer’s combined bucket of contributions is also poured into the big bucket of Retiree Reserves. When you retire your individual Contribution Account Balance ceases to exist.

**What if you leave earlier and do not retire from this County?** If you separate service and have less than 5 years of PTSCs you are not vested and must take a refund of your Account Balance. However, if you change jobs to another California public sector employer you may be eligible to claim “Reciprocity” and link your retirement plans. With Reciprocity you wouldn’t be required to take a refund and in fact you must leave your funds with the SLOCPT. Former employees who are vested have the option to take a refund of their Account Balance, but then they are not eligible for the pension-for-life benefit.

**What can I do with my Termination Refund?** Account Balances are pre-tax funds. They can be quite large depending on how long you contributed and what your pay was. You have the choice of taking your refund as a lump sum which is taxable. You may also take your refund as a

“Rollover” into another tax-deferred account like an IRA or another retirement plan. In that case, you may be able to defer paying taxes until later when you take it out of the tax-deferred account.