The Pension Trust

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Picking Your Retirement Date

Your pension benefit under the SLO County Retirement Plan is defined benefit that uses a formula to determine how much your benefit will be:

Pension Trust Service Credits (years worked) x
Final Average Compensation x
Retirement Factor (a %) =
Basic Unmodified Pension Benefit

Final Average Compensation: Your pension depends on your highest consecutive months of pay as a part of the calculation. For Tier 1 members final pay is averaged over 12 months; for Tiers 2 & 3 it is averaged over 36 months. If you have recently been promoted and received an increase in pay, you may want to put off retiring until you can get a full 12 or 36 months at the higher pay rate. Of course, another year or two also adds to the Pension Trust Service Credits part of the benefit formula.

Retirement Factor: The “Retirement Factor” shown above is a percentage (e.g., 2.0% at age 62) based on age at retirement. This factor increases as your age increases, so the later you retire, the higher your pension. The Retirement Factor goes up by ¼ year installments. You may want to time your retirement date past one of those ¼ year ages. For example, if you are 60, your birthday is September 15th, and you want to retire on December 1st, your retirement factor would be 1.800%. If you waited until December 15th and retired at age 60¼, your retirement factor would be 1.825%. For 20 years of Pension Trust Service Credits at a Final Average Compensation of $5,000/month, waiting until December 15th to retire could mean $25 more per month in your pension.

Retirement Date and the Retiree COLA: The SLO County Retirement Plan includes a Retiree Cost of Living Adjustment. The COLA is based on a 2-year average of the Consumer Price Index increases in San Francisco and Los Angeles. For Tier 1 members, the COLA maximum is 3.00% per year with a “COLA-bank” provision for years when CPI increases are greater than 3%. For Tier 2 & 3 members, the COLA maximum is 2.00% per year.

The COLA increase to pensions takes place each year with the April 1st retiree payment for retirees who retired on or before January 1st of that year. If you retire on January 5th, you must wait an entire year for your first COLA. If you retired on December 31st instead, you would be eligible for a COLA increase three months later on April 1st. For example - 20 years of Pension Trust Service Credits at a Final Average Compensation of $5,000/month retiring at age 60 – and assuming a maximum Tier 3 COLA of 2.0%, that first COLA - could take your benefit from $1,800/month to $1,836/month. Also, the retiree COLAs compound, so next year's COLA is based on your basic pension benefit plus whatever COLAs you have received up until that year. Some of our older Retirees have cumulative COLA amounts larger than their original pension benefits.

Sometimes, it's just time to retire: Your health, a family member's health, or you just can't face another day at work are good reasons to retire. However, call the Pension Trust and get a retirement estimate first before you act. We often show Members what their pension benefit would be if they hang on just a few more years and "talk them in from the ledge".