Rules of Thumb for Retirement

1. Your contribution to the Defined Benefit plan is 8.15% as opposed to 4% for the Cash Balance plan. Since it is taken out pre-tax, the reduction in take-home pay will be a smaller percentage since taxes are reduced at your marginal rate, but it is still a larger contribution. If your finances are really tight this could be a disadvantage to the Defined Benefit plan.

2. If you don't ever accumulate 5 years of full-time-equivalent service, you will definitely be better off in the Cash Balance plan. Peralta matches your contribution dollar-for-dollar, and this money is *yours*. If you leave service, you can withdraw it. If you die, your heirs will get it. It is *your money*.

3. In the Defined Benefit plan, the Peralta contribution is *not* your money. There is a two-step process to benefit from it: First, you must Retire; Second, you must live long enough that you use up all your money. From then on, you're getting a pension that your money could not have supported, based on Peralta's contributions. I'm told the actuarial calculation places this at about 8 years into retirement. This is an essential feature of most retirement systems: those who die young subsidize those who live long.

4. If you are in the Defined Benefit plan and never vest, you or your heirs will get your contribution back, but not Peralta's. There's sort of a bet: in CB, you always get Peralta's contribution; in DB, you get a better retirement plan but can never directly access Peralta's contribution.

5. Once vested, DB provides an excellent retirement plan. You only lose if you die young and if so you'll be dead so why would you care?