



Published for Active Members of the  
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### *Key Concepts for Early Retirees*

## Considering *Early Retirement*? Check Your Options

An important aspect of CCCERA's compliance with IRS regulations for tax qualified pension plans is adherence to rules in Code Section 401. IRS rulings require (among other regulations) that CCCERA **may not** distribute employer-provided benefits (pension payments) to members who take a service retirement *before normal retirement age* unless the member had a "**bona fide**" separation from service. **(This rule does not apply to disability retirements.)**

## What is *Normal Retirement Age*?

*Normal Retirement Age* is a phrase that the 1937 Act (our benefit plan's legal basis) doesn't define. To comply with IRS guidelines, CCCERA developed, in conjunction with tax counsel, appropriate language and guidelines for applying this concept:

"The Normal Retirement Age for a member who earns retirement service immediately before retirement under a "3% at 50" retirement formula, **is 50 years of age**. The Normal Retirement Age for a member who earns retirement service immediately before retirement under a "2% at 55," retirement formula, **is 55 years of age**."

The above language is from a resolution effective July 1, 2007, which was made part of the Board of Retirement's Regulations. The resolution coincides with our current retirement benefit formulas, 2% at 55 for General members, and 3% at 50 for Safety members.

## What is a *Bona Fide Separation from Service*?

Within the same CCCERA Board resolution is a definition of *Bona Fide Separation from Service*. "A member who retires for service at an age younger than Normal Retirement Age . . . must have at least a continuous **90-day break in service from the date of the member's last day of employment with his or her CCCERA employer prior to being reemployed by the same employer while retired.**"

## What Does This Mean to You?

If you are considering an "early" retirement (**before** your *normal retirement age*), you cannot have a *prearrangement* (either verbally or in writing) to return to work *after retirement* in your prior position, or any other position with your former CCCERA employer, and continue to receive pension benefit payments. Members retiring *earlier than normal retirement age* will be asked to sign an affidavit attesting to compliance with this regulation. A *bona fide separation from service* must be at least a continuous 90-day break in service from the member's last date of employment before being reemployed by the same CCCERA employer. **(Remember, this rule does not apply to members retiring at or after normal retirement age, or disability retirements at any age.)**

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Retired members who do not comply with these conditions can return to work for their previous employer, but their retirement benefit will be discontinued and the break in service will be considered a leave of absence. (Members who retired early *can* return to work for a *different* CCCERA employer, but must follow the 1937 Act work limitations for retirees).

Members who retire *at or after* normal retirement age are subject to the same employment rules previously in effect, with no requirement for a bona fide separation from service should they choose to return to work.

## Important Points:

- If you have **not** reached **normal retirement age** (as defined on the first page), and you retire, you **may not have a prior arrangement to return to work with your former employer.**
- After retirement, if you choose to return to work with your former employer, there must be a minimum 90 day break in service before your return.
- **Members who retire at or after normal retirement age are not affected by these rules.**
- **Disability retirements at any age are not affected by these regulations.**
- Members who retire early (prior to normal retirement age) will be asked to certify that no prior arrangement has been made with their CCCERA employer to return to work.



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