

Plan 2/3 teachers and school employees ask: What's the best retirement month for me?

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When it comes to retirement planning, teachers and school employees in Plans 2 and 3 often ask whether it's better to retire in July (when you stop working) or in September (when your contract ends).

There are several factors to weigh in choosing your retirement month, including what's gained from an earlier start to benefits and cost-of-living adjustments (COLAs) compared to what's earned from two extra months of service. And, starting this year, there's a new consideration: the impact of an earlier retirement on your health care costs.

This additional consideration relates to the recent launch of the School Employees Benefits Board (SEBB) program, which offers employer-supported health insurance options for teachers and school employees. While SEBB provides enrollment for working employees, it does not offer coverage for retirees.

These two scenarios illustrate how these various factors come into play:

July retirement scenario (resign your position effective June 30 to retire starting in July 2020):

- You'll receive your pension benefit plus your salary for July and August.
- Your COLA will start in July of the following year (July 1, 2021).
- You won't receive service credit for July and August.
- Your health care coverage via SEBB will be discontinued after June 30.

September retirement scenario (resign your position effective Aug. 31 to retire starting in September 2020):

- You'll receive your pension benefit starting in September.
- Your COLA won't go into effect until July 2022.
- You'll earn service credit for July and August.
- You'll continue to receive SEBB health care coverage in July and August.

In both scenarios, eligible individuals can purchase retiree health insurance through the Public Employees Benefit Board (PEBB) program once their SEBB coverage ends. Both programs are administered by the state Health Care Authority (HCA), which provides online information on SEBB plan costs and PEBB retiree plan costs.

So what's best? The fact is, this is a personal decision that involves a number of different factors, including the cost of your current employer-supported benefits versus the cost of retiree health care coverage during the last two months of your contract.

Whichever you decide, be sure to communicate with your employer, DRS and HCA on whether you are resigning effective June 30 or August 31.

If you have any questions about PEBB retiree insurance, please call HCA at 1-800-200-1004 and select menu option 6.

If you have any questions about your retirement date or COLAs, please contact DRS.

