

CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

Plan for Your Future

Retirement lifestyle, expenses, income, obstacles





CalSTRS Financial Awareness Series

Save for Your Future

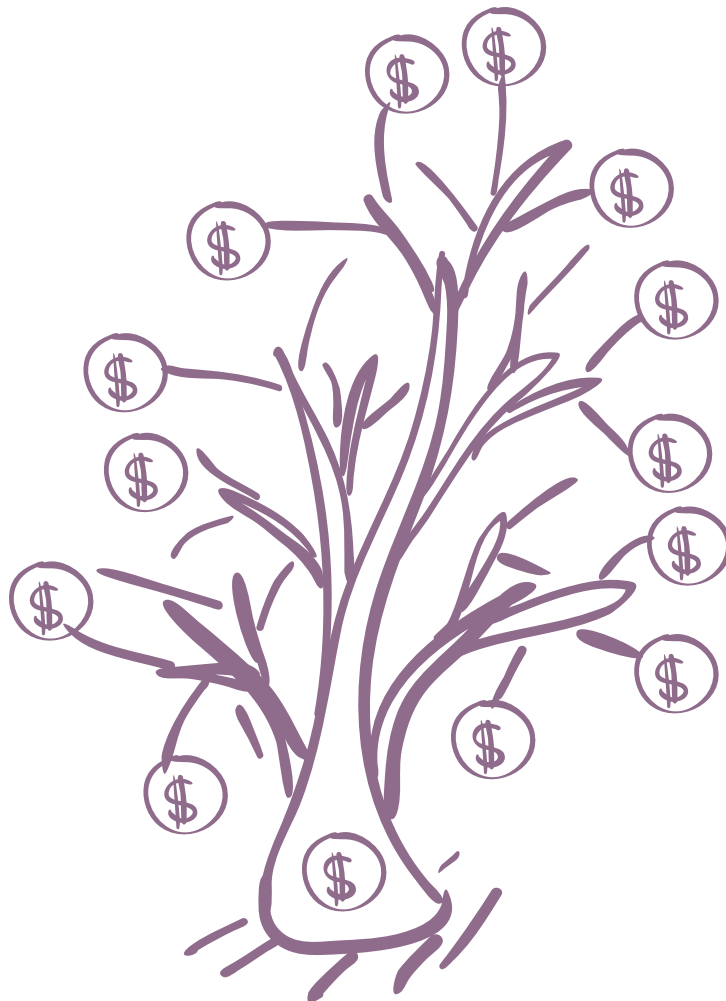
Budgeting basics, savings and investing, credit and debt

Plan for Your Future

Retirement lifestyle, expenses, income, obstacles

Protect Your Future

Retirement distributions, maximizing and protecting income



Please note

In today's session, your CalSTRS benefits specialist will guide you through the basics of financial literacy and retirement planning.

All specialists have CalSTRS benefits knowledge and are your resources. We are committed to CalSTRS' mission: Securing the financial future and sustaining the trust of California's educators.

CalSTRS benefits specialists are not financial advisers, so they cannot advise, recommend or in any way influence your financial decisions. In addition, the information provided in this workbook is not intended to be financial advice and so should not be considered financial advice.



Plan for Your Future



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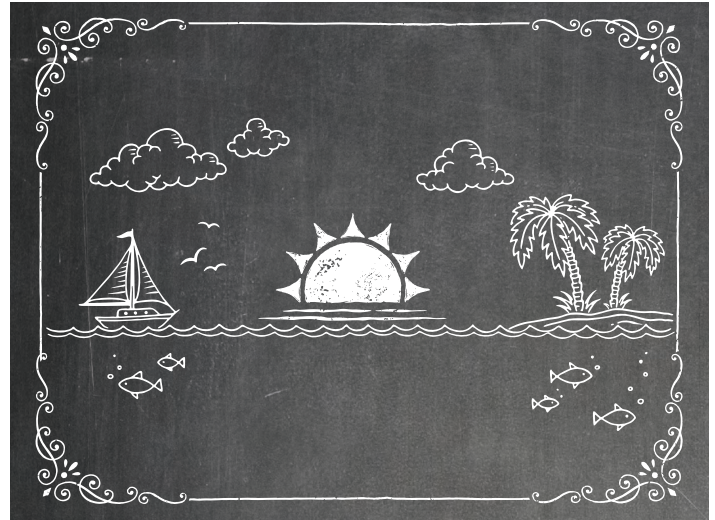
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Retirement lifestyle



My retirement picture

What will your retirement look like? Would you like to start a new business? A new career? Volunteer? Travel? Maybe you want to spend more time with family or pursue new hobbies? In the boxes below, check all the things you see yourself doing when you retire. There's space at the end to add other things to your list.



Work

- Start a new career or business
- Work part time or consult
- Volunteer
- Be a mentor

Family

- Visit family often
- Care for grandchildren
- Care for a parent
- Care for a spouse

Education

- Take classes
- Learn a language
- Read a lot

Travel

- Travel as much as possible
- Take one trip per year
- Buy a motorhome

Fun

- Spend more time on hobbies (garden, write, fish)
- Dine out often
- Attend special events (theater, concerts, sports)

Health

- Focus more on staying healthy (exercise, eat healthy)
- Deal with chronic health conditions (diabetes, heart problems)

Transportation

- Reduce the number of cars I own
- Use public transportation

Housing

- Stay in my current home
- Downsize my living space
- Pay off a home mortgage
- Remodel
- Do home repair or maintenance projects
- Rent
- Buy a second or vacation home
- Move to an active adult community
- Live with family
- Live in an assisted facility or nursing home

Location

- Stay near friends or family
- Live in a different climate
- Live closer to family
- Live closer to interests (golf, college, ocean)
- Move to a place with a lower cost of living

Other

Picturing specifics will help you prepare the best plan to accomplish your retirement goals.

My retirement lifestyle

Everyone's ideal retirement is different. Some are satisfied living simple, quiet lives. Others want to enjoy world travel, expensive hobbies or upgrade their home. Use the categories below to determine your future lifestyle.

HOUSING: Stay in my current home, downsize, pay off mortgage, do home repairs or maintenance, sell then rent, buy a second or vacation home, move to an active adult community, live with family or in an assisted facility?

LOCATION: Live near friends or family, live in a different climate, move closer to family, move to a place with a lower cost of living?

TRANSPORTATION: Reduce the number of cars I own, use public transportation? No work commute means less gas and car expenses.

FOOD: Spend more or less on food, spend more time entertaining friends and family, more time making home meals and eating out less? Age and health may require a more restrictive diet.

CLOTHING AND PERSONAL CARE: Spend more or less on clothes and personal care items? The cost of work clothes may have been a big part of expenses. Also, no work may mean less money spent on grooming.

HEALTH AND MEDICAL EXPENSES: Cancel or join a local gym, purchase supplemental Medicare insurance, pay for increases in insurance premiums, increased use of prescription medication or potential health conditions?

ENTERTAINMENT: More free time to enjoy movies, books, clubs, concerts, theater and other activities?

HOBBIES: Spend more time and money on hobbies or turn a hobby into extra income?

RECREATION: Spend more time fishing, hiking, golfing, camping, yoga and more?

TRAVEL: Travel as much as possible, take one trip a year, buy an RV, visit family?

Retirement pop quiz



- 1. According to the CalSTRS Retirement Readiness survey, some 22% of retirement members are working for pay. Select the most common reason given by respondents.**
 - Need the income for living expenses
 - Want the income for travel or entertainment
 - Enjoy working and want to stay active

- 2. For individuals age 65 and older who live in the Western region of the U.S., housing, food, transportation and health care account for more than two-thirds of their overall budget.**
 - True
 - False

- 3. Individuals age 65 and older who live in the Western U.S. can expect to pay, on average, more than \$550 a month on health care. This includes insurance premiums, medical services, prescription drugs and medical supplies.**
 - True
 - False

- 4. More than half of workers have a retirement strategy, but only 19% of those have a written retirement strategy.**
 - True
 - False

- 5. Most retirees report their expenses in retirement are about the same as expected.**
 - True
 - False

Retirement pop quiz



ANSWERS

1. Enjoy working and want to stay active

According to the 2017 CalSTRS Retirement Readiness Assessment, of the 22% of CalSTRS retired members who were working for pay: 26% were working because they enjoy working and want to stay active, 24% because they need the income for necessary living expenses, and 22% for extra income for travel or other entertainment. Some 33% of those who responded work in CalSTRS-covered employment and about half of CalSTRS retirees do volunteer work.

Source: CalSTRS 2017 Retirement Readiness Assessment Report

2. True

According to a recent federal Bureau of Labor Statistics survey, housing, food, transportation and health care together account for an average of 69% of the budget of those age 65 and older in the Western U.S.

Source: <https://www.bls.gov/cex/2018/CrossTabs/agebyreg/r65orup.pdf>

3. True

According to a recent federal Bureau of Labor Statistics survey, those age 65 and older living in the Western U.S. spend an average of \$598 a month, or \$7,183 a year, on health care. To get an idea of how health care expenses are increasing, in 2000 those responding to this survey reported spending an average of \$278 a month, or \$3,336 a year.

Sources: <https://www.bls.gov/cex/2018/CrossTabs/agebyreg/r65orup.pdf>
<https://www.bls.gov/cex/2000/CrossTabs/agebyreg/r65orup.pdf>

4. True

According to the 19th Annual Transamerica Retirement Survey of Workers, 64% of workers have a retirement strategy but only 19% of those have a written strategy. Thirty-six percent of workers do not have a retirement strategy.

Source: transamericacenter.org/retirement-research/19th-annual-retirement-survey

5. False

More retirees found their health care expenses are higher than expected (37%), about 8% reported their health care expenses to be lower while 50% found them to be about the same. Some 55% found their other expenses to be about the same as expected, while 30% found them to be higher than expected.

Source: Employee Benefit Research Institute's 2019 Retirement Confidence Survey
<https://www.ebri.org/docs/default-source/rcs/2019-rcs/2019-rcs-short-report.pdf>



Working after retirement

Know the rules



You can continue to receive your full CalSTRS retirement benefit, with no earnings limitations, if you take a job outside of CalSTRS-covered employment. This includes work in private industry outside the California public school system, private schools, public schools outside of California, and work with the University of California or California State University systems.

If you return to work after service retirement and perform retired member activities in the California public school system, including substitute teaching, as an employee, an independent contractor or an employee of a third party, you're subject to restrictions under state and federal law, including a separation-from-service requirement and a postretirement earnings limit.

Separation-from-service requirement

Your retirement benefit will be reduced dollar for dollar by any compensation earned from retired member activities during the first 180 calendar days following your most recent retirement effective date, up to your benefit payable during that period.

There is a very narrow exemption from this requirement if you meet all of the following: you have reached normal retirement age; your appointment is necessary to fill a critically needed position; the governing body of your employer, such as a school board, approves your appointment by resolution at a public meeting; you did not receive any financial inducement to retire; and your termination of

service did not cause the need to acquire your services. In addition, your employer must submit the required documentation to CalSTRS substantiating your eligibility for this exemption, and we must receive the exemption request and required documentation before you begin working. If approved, this exemption applies only to the separation-from-service requirement—the annual postretirement earnings limit still applies.

Cash Balance Benefit Program participants: The separation-from-service requirement also applies if you're a Cash Balance Benefit Program participant and receive your retirement benefit as an annuity. If you receive your retirement benefit as a lump-sum payment, your benefit will not be payable until 180 calendar days after the date you terminated employment. If you perform creditable service during this waiting period, your retirement will be canceled, and you will not receive your payment.

If you're a retired Defined Benefit Program member, you cannot contribute to the Cash Balance Benefit Program.



You may be subject to other earnings limitations if you belong to another public retirement system and depending on the type of work you perform.



Postretirement earnings limit

The earnings limit for 2019–20 is \$46,451; for 2020–21, it's \$47,713. Any amount you earn in a CalSTRS-covered position during the first 180 calendar days of retirement will also count against the annual postretirement earnings limit for the appropriate fiscal year.

Example

If you perform retired member activities in 2020–21 after the first 180 calendar days of your most recent retirement and earn a total of \$50,000, you will exceed the earnings limit of \$47,713 by \$2,287. Assuming your annual retirement benefit is at least \$2,287, CalSTRS will collect the entire \$2,287 from your benefit payments for that year.

Volunteering in retirement

About half of CalSTRS retirees volunteer during retirement. If you decide to volunteer, be aware that an employment arrangement that involves volunteering in a position that would otherwise be creditable to CalSTRS may be in violation of the postretirement earnings limitations.

Reinstatement and re-retirement

You may also terminate your retirement and return to work with no earnings limitations. If you do so, you will pay contributions to CalSTRS for the compensation you earn and accrue service credit. If you re-retire within one year of reinstating, you cannot change your retirement option or beneficiaries. If you re-retire after 12 months of reinstating, you may change or cancel

your option election before or at retirement, but your benefit will be subject to an assessment, which may reduce your benefit for your lifetime. Once you're in retirement, you may make a postretirement option change only under limited circumstances.

When you re-retire, you'll be subject to the separation-from-service requirement and the postretirement earnings limit.

We encourage you to meet with a CalSTRS benefits specialist to learn how reinstating will affect your future retirement benefit before you decide to terminate your retirement and return to active membership.

Exclusion when working for a third party


You may be excluded from both earnings limits and other postretirement employment requirements if:

- You return to work for a third-party employer that does not participate in a California public pension system and
- The activities performed are not normally performed by other employees of a CalSTRS employer, and the assignment is performed for 24 months or less.

Check with your employer and the school district or other CalSTRS-covered employer that you're performing contracted service for to determine if you're subject to this exclusion.

Earnings reports

Employers must report your earnings as a retired member to CalSTRS no later than 45 days after the end of the pay period. Be sure to track your gross earnings in order to avoid exceeding the limit because of delays in employer reporting. If you exceed the earnings limit, CalSTRS will send you a letter informing you of the excess earnings deductions from your retirement benefit.

 **If you retired under the CalSTRS Retirement Incentive Program, you will lose the ongoing increase in your benefit if you take any job within five years of retirement with the employer that offered the incentive, receive unemployment benefits within one year of your retirement date, or reinstate.**

Expenses in retirement



Your estimated monthly retirement expenses

Fill in the first column with what you're now spending monthly. Next, calculate the inflation factor by following the steps listed on the inflation factor table on the following page, then place the inflation factor in the second column. Multiply the first column by the second column to get an idea of the income you'll need during your first year of retirement. Mortgage/rent, loan and credit card payments are set under specific terms and rates, so no inflation applies.

Expense	Current monthly cost	Inflation factor	Monthly cost at retirement (current cost × inflation factor)
Mortgage/rent (excluding property taxes and insurance)	\$	N/A	\$
Property taxes	\$		\$
Homeowner's insurance	\$		\$
Homeowner's association dues	\$		\$
Utilities (gas, electric, water, sewage, trash)	\$		\$
TV, internet, phone	\$		\$
Home maintenance	\$		\$
Automobile/transportation (gas, maintenance, insurance)	\$		\$
Food (groceries, eating out)	\$		\$
Clothing	\$		\$
Personal care	\$		\$
Dependent care	\$		\$
Health care/Medicare	\$		\$
Loan payments (car, home equity, credit line)	\$	N/A	\$
Credit cards (minimum payment)	\$	N/A	\$
Entertainment	\$		\$
Travel	\$		\$
Charitable donations/gifts	\$		\$
Other	\$		\$
MONTHLY TOTAL	\$		\$



Input this number in BOX A of the flap

Inflation factor



Inflation is defined as a sustained increase in the general level of prices for goods and services. It's measured as an annual percentage increase. As inflation rises, every dollar you own buys a smaller percentage of goods and services. While inflation affects everyone, those on a fixed income may feel the effect more than others.

Here are the steps to calculate the inflation factor for the worksheet on the previous page:

1. Choose the number of years until your retirement starts from the far left column, "Years to retirement."
2. Select an estimated annual inflation rate from the row across the top. Inflation cannot be predicted from year to year. From 2000 to 2009, inflation averaged 2.56%; from 1990 to 1999, inflation averaged 3%; and from 1980 to 1989, inflation averaged 5.51%. You'll have to make an educated guess.
3. Read across and down to find the appropriate inflation factor corresponding to your predicted rate of inflation. For example, if your retirement is five years out and you guess a 5% annual inflation rate, your inflation factor will be 1.28. List your inflation factor in the inflation factor column of your worksheet.
4. Finally, multiply your estimated monthly living expense from the first column by the inflation factor in the second column to get an idea of the income you'll need for your first month of retirement if you would like to maintain your current lifestyle.

	Annual inflation rate			
Years to retirement	3%	5%	7%	10%
1	1.03	1.05	1.07	1.10
5	1.16	1.28	1.42	1.65
10	1.35	1.65	2.01	2.71
15	1.57	2.11	2.85	4.45
20	1.82	2.71	4.04	7.33
25	2.12	3.48	5.73	12.06
30	2.46	4.47	8.12	19.84

Michael's estimated monthly retirement expenses

In this example, Michael is 20 years from retirement. He's tracked his current monthly spending. He guesses inflation will be an average of 3%. Using the inflation factor table on page 16, he determines the inflation factor is 1.82 and places it in the second column. Then by multiplying the first column by the second column, Michael can get an idea of the income he'll need during his first year of retirement. Again, mortgage/rent, loan and credit card payments are set under specific terms and rates, so no inflation applies.

Expense	Current monthly cost	Inflation factor	Monthly cost at retirement (current cost × inflation factor)
Mortgage/rent (excluding property taxes and insurance)	\$ 1,250	N/A	\$ 1,250
Property taxes	\$		\$
Homeowner's insurance	\$		\$
Homeowner's association dues	\$		\$
Utilities (gas, electric, water, sewage, trash)	\$ 125	1.82	\$ 227.50
TV, internet, phone	\$ 150	1.82	\$ 273
Home maintenance	\$		\$
Automobile/transportation (gas, maintenance, insurance)	\$		\$
Food (groceries, eating out)	\$ 250	1.82	\$ 455
Clothing	\$ 455	1.82	\$ 828.10
Personal care	\$ 550	1.82	\$ 1,001
Dependent care	\$		\$
Health care/Medicare	\$		\$
Loan payments (car, home equity, credit line)	\$	N/A	\$
Credit cards (minimum payment)	\$	N/A	\$
Entertainment	\$		\$
Travel	\$		\$
Charitable donations/gifts	\$		\$
Other	\$		\$
MONTHLY TOTAL	\$ 2,780		\$ 4,034.60

CalSTRS retirement benefit inflation protection



Your CalSTRS retirement benefit is protected against rising prices in two ways.

Annual benefit adjustment

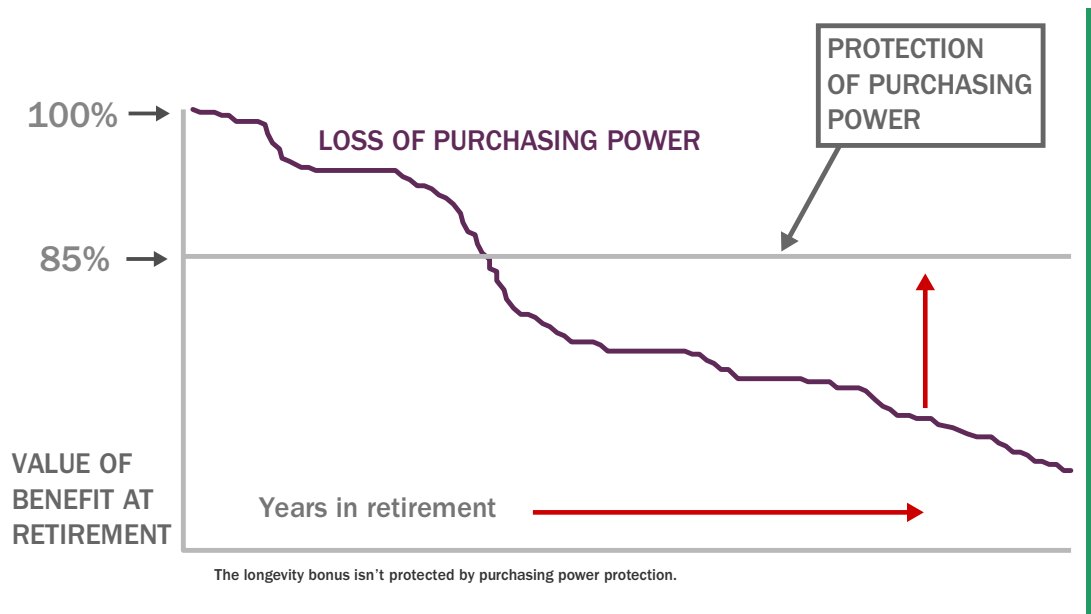
Starting September 1 after the first anniversary of your retirement date, you'll receive an automatic benefit increase equal to 2% of your initial benefit. Your retirement date must be before September 1 to receive the annual benefit adjustment on September 1 of the next year.

Purchasing power protection

If inflation erodes the purchasing power of your retirement benefit below a certain percent (currently 85%) of your initial monthly benefit, you'll receive an additional quarterly payment. Purchasing power is a measurement of how your retirement benefit is keeping pace with inflation. For example, if your benefit stays the same but prices double, your purchasing power is only 50% of what it originally was.

After retirement

PURCHASING POWER PROTECTION

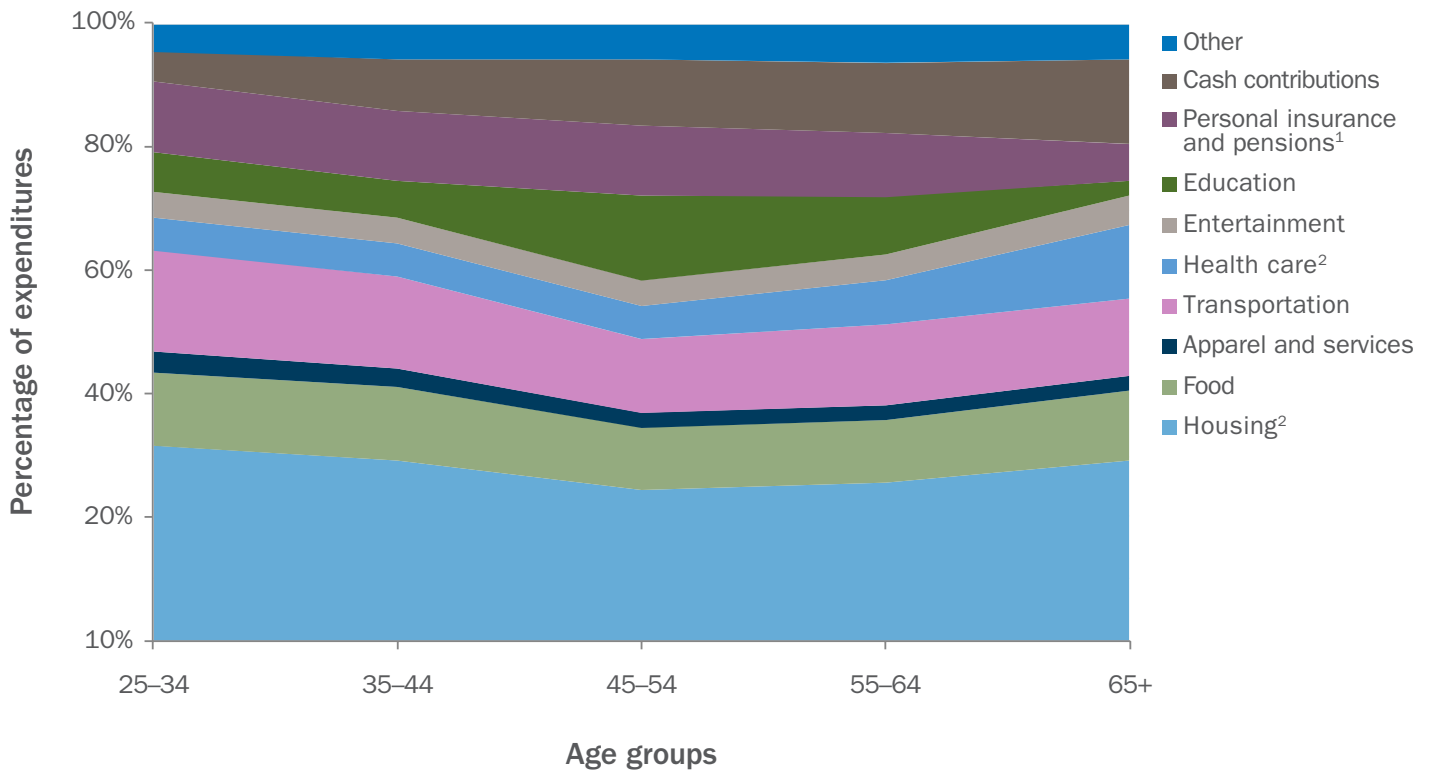


Changing expenses over time



As your life circumstances change, you'll notice that your expenses will begin to change as well.

Where does the money go?



¹ Expenses such as insurance and pension contributions will likely decrease.

² With time and age, health care and housing expenses will likely constitute a larger portion of your budget.

Health care in retirement: Questions to consider



What health care coverage does my district provide in retirement?

How long will I be covered?

What will my premiums be?

How often will my premiums go up?

Do I qualify for Medicare at age 65?

Will my health care coverage be affected if my spouse dies?

Do I need long-term care insurance?

How much money do I need to save for health care costs in retirement?



Health care and insurance resources



Your employer

Your union

Social Security (for Medicare eligibility information)

800-772-1213
ssa.gov

Medicare

800-633-4227
medicare.gov

Covered California

800-300-1506
coveredca.com

California Health Advocates, HICAP

800-434-0222
cahealthadvocates.org/HICAP



Medicare basics



Medicare is the federal health insurance program for people age 65 or older.

Medicare helps with the cost of health care, but it doesn't cover all medical expenses or the cost of most long-term care. You have choices for how you get Medicare coverage. If you choose to have original Medicare coverage, you may buy a Medicare supplement policy from a private insurance company to cover some of the costs that Medicare does not (see the Medicare coverage choices chart on page 23).

How do you qualify for Medicare?

- Pay Medicare tax. You pay 1.45% for Medicare if you were hired for a CalSTRS-covered position after April 1986, or if you elected to participate in Medicare under your employer's Medicare division election.
- Be married to someone who is eligible for Social Security benefits or railroad retirement benefits (if you're divorced, you may qualify if you were married to your ex-spouse for 10 or more years and your spouse is eligible for a Social Security benefit).
- Be permanently disabled and receive Social Security disability benefits.
- Have kidney failure that requires dialysis treatment or a transplant, or Lou Gehrig's disease.

What are the four parts of Medicare?

Medicare has four parts that help cover specific services:

Medicare Part A (Hospital insurance)

Covers:

- Inpatient hospital stays
- Care in a skilled nursing facility
- Hospice care
- Some home health care

Medicare Part B (Medical insurance)

Covers:

- Certain doctors' services
- Outpatient care
- Durable medical supplies
- Some preventive services

Medicare Part C (Medicare Advantage Plans)

- Covers benefits and services under Part A and Part B
- Run by Medicare-approved private insurance companies
- Usually includes Medicare prescription drug coverage (Part D) as part of the plan
- May include extra benefits and services for an extra cost

Medicare Part D (Medicare prescription drug coverage)

- Helps cover the cost of prescription drugs
- Run by Medicare-approved private insurance companies
- May help lower your prescription drug costs and help protect against higher costs in the future

Get the help you need

Medicare

Find information about the Medicare health and prescription drug plans in your area, participating health care providers and suppliers and more.

800-MEDICARE (800-633-4227)

TTY 877-486-2048

medicare.gov

Centers for Medicare and Medicaid Services

Learn more about the Centers for Medicare and Medicaid Services, which administers the Medicare program for the federal government.

cms.gov

California Health Advocates

Get free and objective information and counseling about Medicare from the Health Insurance Counseling and Advocacy Program.

cahealthadvocates.org/HICAP

What are your Medicare coverage choices?

There are two main ways to get your Medicare coverage—original Medicare or a Medicare Advantage Plan. Use these steps to help you decide which way to get your coverage.

START

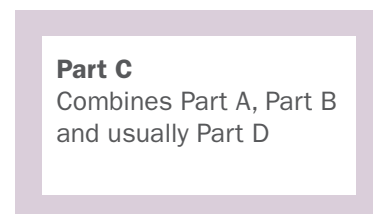
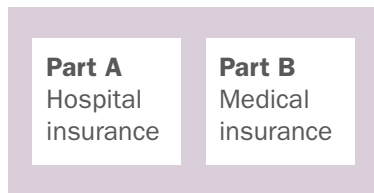
STEP 1: Decide how you want to get your coverage.

ORIGINAL MEDICARE

OR

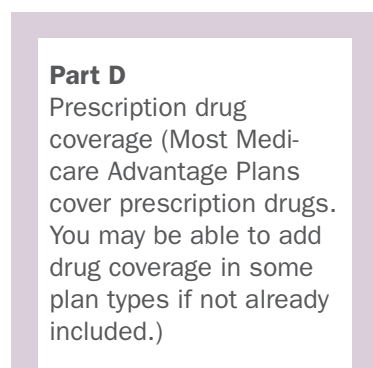
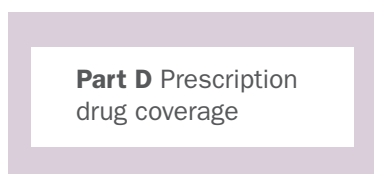
MEDICARE ADVANTAGE PLAN

Part C (like an HMO or PPO)



STEP 2: Decide if you need to add drug coverage.

STEP 2: Decide if you need to add drug coverage.



STEP 3: Decide if you need to add supplemental coverage.

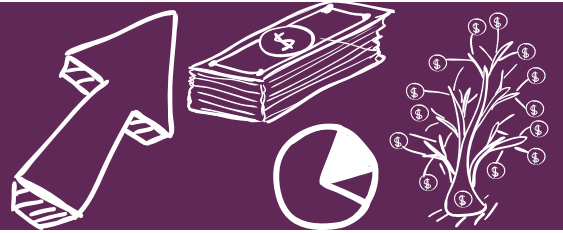


END

END

If you join a Medicare Advantage Plan, you can't use or be sold a Medicare Supplement Insurance (Medigap) policy.

Reduce your household expenses challenge



Go through this list of ways to reduce your monthly spending. Our challenge to you: Can you save \$250, \$500 or even \$1,000 a month?

HOME	Potential monthly savings
<ul style="list-style-type: none"> -Refinance to a lower interest rate or pay off mortgage early -Appeal property taxes if your house has lost value -Get rid of private mortgage insurance if you have enough equity -Downsize to a smaller home -Move to a less expensive area -Eliminate services (house cleaning, landscaping, pest control) 	
UTILITIES	Potential monthly savings
<ul style="list-style-type: none"> -Cell phone: Make sure you're on the right plan, remove any unnecessary features, check for discounts, lower data plan -Land phone: Remove altogether, remove unneeded features -Electric/gas: Use a thermostat, unplug unused devices and chargers, run appliances during off-peak hours, use a clothesline for drying, switch to energy efficient light bulbs (potential total bill reduction of 10%-20%) 	
FOOD	Potential monthly savings
<ul style="list-style-type: none"> -Cook your meals at home, prepare meals in advance and freeze -Reduce or eliminate eating out -Buy nonperishable items in bulk -Start a garden -Buy generic -When eating out drink only water (saves about \$15 for a family of four every time out) -Make your own coffee 	
TRANSPORTATION	Potential monthly savings
<ul style="list-style-type: none"> -Carpool -Use public transportation -Sell your car -Skip the car wash 	
INSURANCE	Potential monthly savings
<ul style="list-style-type: none"> -Shop and compare rates on auto and home insurance, bundle insurance -Raise deductibles -Take advantage of discounts (alarm system, good student, mature driver, low miles) -Switch to term life insurance 	

ENTERTAINMENT	Potential monthly savings
<ul style="list-style-type: none"> -Reduce or eliminate your TV/internet bill, bundle services, cancel premium channels, lower internet speed -Reduce or eliminate travel -Consider reducing or eliminating subscriptions (newspaper, magazine, Netflix, Hulu, music streaming) -Watch sporting events and movies at home 	
PERSONAL CARE PRODUCTS OR SERVICES	Potential monthly savings
<ul style="list-style-type: none"> -Identify a less expensive gym membership or cancel gym membership and exercise at home or outdoors -Reduce or eliminate dry cleaning bill -Reduce grooming expenses (cut back on haircuts, styling, nails, expensive products) 	
OTHER WAYS TO SAVE	Potential monthly savings

COMBINED TOTAL



Input this number in BOX B of the flap

How much are you able to save?

\$1,000 savings



\$500 savings



\$250 savings



Income in retirement



CalSTRS retirement formula

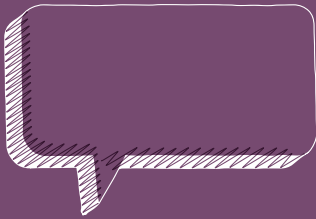


Input this number
in BOX D of the flap

$$\underline{\hspace{2cm}} \times \underline{\hspace{2cm}} \times \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$$

service credit **age factor** **final compensation** **your CalSTRS retirement benefit**

This formula is for the Member-Only Benefit. If you choose to provide a lifetime benefit to loved ones after your death, you'll receive a Modified Benefit.



Use our online calculators
at [CalSTRS.com/calculators](https://www.calstrs.com/calculators) to estimate your retirement benefit and help you make informed decisions.

If you're age 45 or older, you'll find two retirement estimates on your *Retirement Progress Report*.

Extend your career

By working longer, you'll continue to earn service credit, which will increase your retirement benefit. You may also qualify for the one-year final compensation or career factor benefit enhancements.

If you're a CalSTRS 2% at 60 member, the older you are at retirement, the higher your age factor, up to a maximum age factor of 2.4% at age 63. If you retire with 30 or more years of service credit, you qualify for the career factor benefit enhancement, which

adds 0.2% to your age factor up to a maximum combined age factor and career factor of 2.4% at age 61 years and 6 months.

If you're under the CalSTRS 2% at 62 benefit structure, you'll reach the maximum age factor at age 65, and you're not eligible for the final compensation or career factor benefit enhancements.

 To protect your loved ones with a lifetime benefit after you die, see "Protecting your loved ones" in the *Member Handbook* or view the *Beneficiary Options* video at [CalSTRS.com/videos](https://www.calstrs.com/videos).

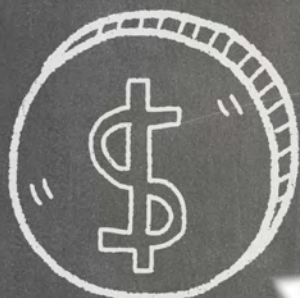
Your Defined Benefit Supplement distribution choices



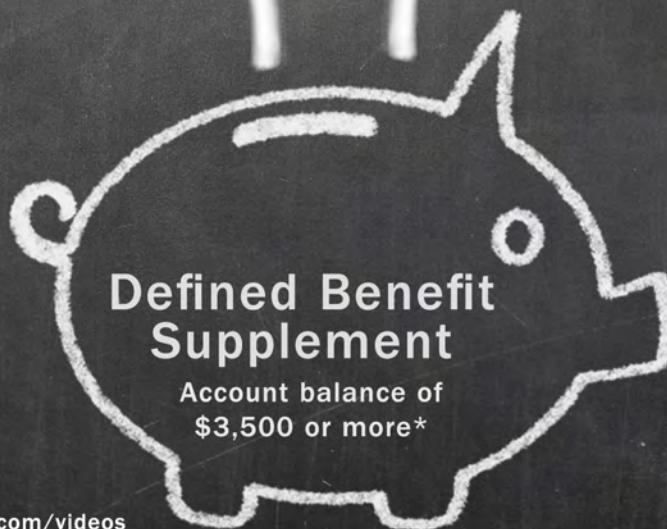
Annuity
(Lifetime or period-certain)



Lump sum
(Rollover or direct payment)




Combination
(Lump sum and annuity)



Defined Benefit Supplement

Account balance of
\$3,500 or more*

 View the Defined Benefit Supplement education video series at CalSTRS.com/videos

*If you have less than \$3,500, you'll receive your account balance as a lump sum.

CalSTRS Pension2 403(b) and 457(b) plans



Pension2.com

Learn more about program highlights, investment funds, low costs and more.

Call us today to learn more, or enroll by phone.

Toll free 888-394-2060



See the Pension2 ebook at Pension2.com.

403bCompare.com

With 403bCompare's online tools, you can compare the 403(b) products your district offers side by side, including costs, services and performance, to find the 403(b) that best matches your needs.

Investing involves risk, including the risk of loss of principal.

CALSTRS

pension2
personal wealth plan

Your future starts now

Put the power of a tax-advantaged 403(b), 457(b), Roth 403(b) or Roth 457(b) account to work for you!

The median CalSTRS retirement benefit replaces 50% to 60% of a member's salary. You'll need to close any gap between your retirement income goal and your CalSTRS retirement benefit with savings and investments.

With Pension2, you'll belong to a plan with:

- **Simple, low-cost and transparent fees**—there are no commissions, no load fees and no surrender charges.
- **Easy payroll deductions**
- **Investments for everyone**—Pension2 offers choices that match every type of investor, including:
 - » **Easy Choice Portfolios** that provide ready-made diversified portfolios to simplify your investment decisions.
 - » **Core investment options** to build your own portfolio.
 - » **Self-Directed Brokerage Account** that gives you access to hundreds of mutual funds.
- **Services and a team to help you succeed**—you can manage your account 24/7 online or use the automated toll-free phone line. Online tools can help you plan and make decisions. Experienced retirement specialists can help you define and pursue goals in retirement.

It's your future. Choose **Pension2**TM.

Why start now?

It's smart

Power of time and money. With compounding, you earn interest on your total balance—your original contribution plus all interest earned and any additional contributions.

Tax advantages. When you contribute to your 403(b) or 457(b) account directly out of your paycheck, you defer taxes on the money you invest each month. Your earnings grow tax-deferred, and your monthly taxable income is lower. With a Roth 403(b) or Roth 457(b), you invest after-tax dollars, and your contributions and earnings are tax-free at retirement when you withdraw funds.

More time to take risks. The earlier you start, the longer you'll have to weather financial downturns and reap the benefits of strong economic times.

It's easy

Three steps to opening your Pension2 account

- 1 **Enroll online at Pension2.com or call 888-394-2060.**
- 2 **Determine how much you want to invest.**
- 3 **Fill out your district's salary reduction agreement form,** available from your payroll office or online at 403bCompare.com (select Find Employer, then look for the link on your district's page).

To increase your contribution, simply complete another salary reduction agreement form with your new contribution amount.

How a 403(b) or 457(b) can work for you

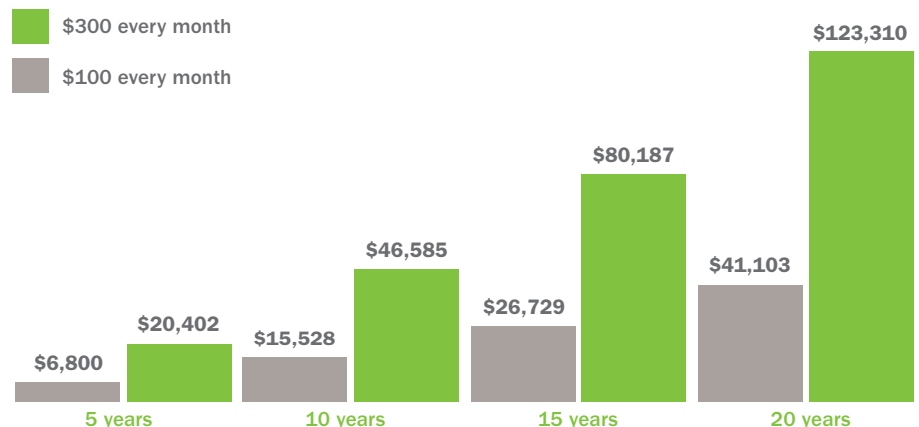
A monthly contribution of \$50 to your tax-deferred account may reduce your paycheck by only \$32.

Monthly contribution	Reduces your take-home pay by
\$50	\$32
100	63
150	95
200	126
250	142
300	173
400	252
500	315

A little now can really add up later

Let's say you contribute \$100 a month to your account directly from your paycheck. If your account averages a 5% rate of return annually, after 20 years you could have \$41,103. If you increase your monthly contribution to \$300 a month, your savings could grow to \$123,310.

+ An added benefit of tax-deferred contributions: Your \$300 investment may reduce your paycheck by only \$173.



These hypothetical illustrations assume a combined 37% state and federal tax rate. They are not meant to represent the performance of any investment product and should not be used to predict investment performance. Any taxes and expenses associated with an actual investment are not reflected. While taxes are paid when funds are withdrawn, investors are often in a lower tax bracket at retirement. CalSTRS Pension2 does not guarantee any rate of return on investments. Investing involves risk, including risk of loss of principal.

Did you know you can start a 403(b) or 457(b) account with as little as \$25 a month?



Your payment would be about
\$1,986 a month
at full retirement age

WANDA WORKER
456 ANYWHERE AVENUE
MAINTOWN, USA 11111-1111

January 2, 2020

Your Social Security Statement

Are you thinking about retirement? Are you ready for retirement?

We have tools that can help you!

- Estimate your future retirement benefits at [socialsecurity.gov/estimator](https://www.socialsecurity.gov/estimator)
- Apply for retirement, spouse's, Medicare, or disability benefits at [socialsecurity.gov/applyforbenefits](https://www.socialsecurity.gov/applyforbenefits)
- And once you receive benefits, manage your benefits at myaccount.socialsecurity.gov

Your *Social Security Statement* tells you about **how much you or your family would receive** in disability, survivor, or retirement benefits. It also includes our record of your lifetime earnings. Check out your earnings history, and **let us know right away if you find an error**. This is important because we base your benefits on our record of your lifetime earnings.

Social Security benefits are **not intended to be your only source of income when you retire**. On average, Social Security will replace about

To view your *Social Security Statement* online anytime create a **my Social Security** account today!



my Social Security
myaccount.socialsecurity.gov

40 percent of your annual pre-retirement earnings. You will need other savings, investments, pensions, or retirement accounts to live comfortably when you retire.

To see your *Statement* online anytime, create a **my Social Security** account at myaccount.socialsecurity.gov.

Social Security Administration

Follow the Social Security Administration at these social media sites.



Your Estimated Benefits

*Retirement	You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until... your full retirement age (67 years), your payment would be about.....\$ 1,986 a month age 70, your payment would be about\$ 2,468 a month age 62, your payment would be about\$ 1,376 a month
*Disability	You have earned enough credits to qualify for benefits. If you became disabled right now, your payment would be about.....\$ 1,956 a month
*Family	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.
*Survivors	You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits: Your child.....\$ 1,467 a month Your spouse who is caring for your child.....\$ 1,467 a month Your spouse, if benefits start at full retirement age.....\$ 1,956 a month Total family benefits cannot be more than\$ 3,568 a month Your spouse or minor child may be eligible for a special one-time death benefit of \$255.
Medicare	You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare. * Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2035, the payroll taxes collected will be enough to pay only about 80 percent of scheduled benefits. We based your benefit estimates on these facts: Your date of birth (please verify your name on page 1 and this date of birth)..... April 5, 1960 Your estimated taxable earnings per year after 2018 \$50,653 Your Social Security number (only the last four digits are shown to help prevent identity theft)..... XXX-XX-1234

How Your Benefits Are Estimated

To qualify for benefits, you earn “credits” through your work — up to four each year. This year, for example, you earn one credit for each \$1,410 of wages or self-employment income. When you’ve earned \$5,640, you’ve earned your four credits for the year. Most people need 40 credits, earned over their working lifetime, to receive retirement benefits. For disability and survivors benefits, young people need fewer credits to be eligible.

We checked your records to see whether you have earned enough credits to qualify for benefits. If you haven’t earned enough yet to qualify for any type of benefit, we can’t give you a benefit estimate now. If you continue to work, we’ll give you an estimate when you do qualify.

What we assumed — If you have enough work credits, we estimated your benefit amounts using your average earnings over your working lifetime. For 2020 and later (up to retirement age), we assumed you’ll continue to work and make about the same as you did in 2018 or 2019. We also included credits we assumed you earned last year and this year.

Generally, the older you are and the closer you are to retirement, the more accurate the retirement estimates will be because they are based on a longer work history with fewer uncertainties such as earnings fluctuations and future law changes. We encourage you to use our online Retirement Estimator at www.socialsecurity.gov/estimator to obtain immediate and personalized benefit estimates.

We can’t provide your actual benefit amount until you apply for benefits. **And that amount may differ from the estimates stated above because:**

- (1) Your earnings may increase or decrease in the future.
- (2) After you start receiving benefits, they will be adjusted for cost-of-living increases.

- (3) Your estimated benefits are based on current law. **The law governing benefit amounts may change.**

- (4) Your benefit amount may be affected by **military service, railroad employment or pensions earned through work on which you did not pay Social Security tax.** Visit www.socialsecurity.gov to learn more.

Windfall Elimination Provision (WEP) — In the future, if you receive a pension from employment in which you do not pay Social Security taxes, such as some federal, state or local government work, some nonprofit organizations or foreign employment, and you also qualify for your own Social Security retirement or disability benefit, your Social Security benefit may be reduced, but not eliminated, by WEP. The amount of the reduction, if any, depends on your earnings and number of years in jobs in which you paid Social Security taxes, and the year you are age 62 or become disabled. For more information, please see *Windfall Elimination Provision* (Publication No. 05-10045) at www.socialsecurity.gov/WEP.

Government Pension Offset (GPO) — If you receive a pension based on federal, state or local government work in which you did not pay Social Security taxes and you qualify, now or in the future, for Social Security benefits as a current or former spouse, widow or widower, you are likely to be affected by GPO. If GPO applies, your Social Security benefit will be reduced by an amount equal to two-thirds of your government pension, and could be reduced to zero. Even if your benefit is reduced to zero, you will be eligible for Medicare at age 65 on your spouse’s record. To learn more, please see *Government Pension Offset* (Publication No. 05-10007) at www.socialsecurity.gov/GPO.

Your Earnings Record

Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings	Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
1976	226	226	2001	34,915	34,915
1977	592	592	2002	35,591	35,591
1978	1,144	1,144	2003	36,717	36,717
1979	2,116	2,116	2004	38,686	38,686
1980	3,103	3,103	2005	40,325	40,325
1981	4,125	4,125	2006	42,315	42,315
1982	5,272	5,272	2007	44,346	44,346
1983	6,926	6,926	2008	45,437	45,437
1984	8,692	8,692	2009	44,784	44,784
1985	10,210	10,210	2010	45,847	45,847
1986	11,555	11,555	2011	47,146	47,146
1987	13,305	13,305	2012	48,349	48,349
1988	14,916	14,916	2013	48,606	48,606
1989	16,369	16,369	2014	49,860	49,860
1990	17,925	17,925	2015	50,850	50,850
1991	19,300	19,300	2016	50,158	50,158
1992	20,945	20,945	2017	50,440	50,440
1993	21,695	21,695	2018	50,653	50,653
1994	22,816	22,816	2019	Not yet recorded	
1995	24,225	24,225			
1996	25,858	25,858			
1997	27,806	27,806			
1998	29,642	29,642			
1999	31,658	31,658			
2000	33,767	33,767			

Total Social Security and Medicare taxes paid over your working career through the last year reported on the chart above:

Estimated taxes paid for Social Security:

You paid: \$70,698
 Your employers paid: \$72,634

Estimated taxes paid for Medicare:

You paid: \$17,020
 Your employers paid: \$17,020

Note: Currently, you and your employer each pay a 6.2 percent Social Security tax on up to \$137,700 of your earnings and a 1.45* percent Medicare tax on all your earnings. If you are self-employed, you pay the combined employee and employer amount, which is a 12.4 percent Social Security tax on up to \$137,700 of your net earnings and a 2.9* percent Medicare tax on your entire net earnings.

*If you have earned income of more than \$200,000 (\$250,000 for married couples filing jointly), you must pay 0.9 percent more in Medicare taxes.

Help Us Keep Your Earnings Record Accurate

You, your employer and Social Security share responsibility for the accuracy of your earnings record. Since you began working, we recorded your reported earnings under your name and Social Security number. We have updated your record each time your employer (or you, if you're self-employed) reported your earnings.

Remember, it's your earnings, not the amount of taxes you paid or the number of credits you've earned, that determine your benefit amount. When we figure that amount, we base it on your average earnings over your lifetime. If our records are wrong, you may not receive all the benefits to which you're entitled.

Review this chart carefully using your own records to make sure our information is correct and that we've recorded each year you worked. You're the only person who can look at the earnings chart and know whether it is complete and correct.

Some or all of your earnings from **last year** may not be shown on your *Statement*. It could be that we still were

processing last year's earnings reports when your *Statement* was prepared. Your complete earnings for last year will be shown on next year's *Statement*. **Note:** If you worked for more than one employer during any year, or if you had both earnings and self-employment income, we combined your earnings for the year.

There's a limit on the amount of earnings on which you pay Social Security taxes each year. The limit increases yearly. Earnings above the limit will not appear on your earnings chart as Social Security earnings. (For Medicare taxes, the maximum earnings amount began rising in 1991. Since 1994, **all** of your earnings are taxed for Medicare.)

Call us right away at 1-800-772-1213 (7 a.m.–7 p.m. your local time) if any earnings for years **before last year** are shown incorrectly. Please have your W-2 or tax return for those years available. (If you live outside the U.S., follow the directions at the bottom of page 4.)

Some Facts About Social Security

About Social Security and Medicare...

Social Security pays retirement, disability, family and survivors benefits. Medicare, a separate program run by the Centers for Medicare & Medicaid Services, helps pay for inpatient hospital care, nursing care, doctors' fees, drugs, and other medical services and supplies to people age 65 and older, as well as to people who have been receiving Social Security disability benefits for two years or more. Medicare does not pay for long-term care, so you may want to consider options for private insurance. Your Social Security covered earnings qualify you for both programs. For more information about Medicare, visit www.medicare.gov or call **1-800-633-4227** (TTY **1-877-486-2048** if you are deaf or hard of hearing).

Retirement — If you were born before 1938, your full retirement age is 65. Because of a 1983 change in the law, the full retirement age will increase gradually to 67 for people born in 1960 and later.

Some people retire before their full retirement age. You can retire as early as 62 and take benefits at a reduced rate. If you work after your full retirement age, you can receive higher benefits because of additional earnings and credits for delayed retirement.

Disability — If you become disabled before full retirement age, you can receive disability benefits after six months if you have:

- enough credits from earnings (depending on your age, you must have earned six to 20 of your credits in the three to 10 years before you became disabled); and
- a physical or mental impairment that's expected to prevent you from doing "substantial" work for a year or more or result in death.

If you are filing for disability benefits, please let us know if you are on active military duty or are a recently discharged veteran, so that we can handle your claim more quickly.

Family — If you're eligible for disability or retirement benefits, your current or divorced spouse, minor children or adult children disabled before age 22 also may receive benefits. Each may qualify for up to about 50 percent of your benefit amount.

Survivors — When you die, certain members of your family may be eligible for benefits:

- your spouse age 60 or older (50 or older if disabled, or any age if caring for your children younger than age 16); and
- your children if unmarried and younger than age 18, still in school and younger than 19 years old, or adult children disabled before age 22.

If you are divorced, your ex-spouse could be eligible for a widow's or widower's benefit on your record when you die.

Extra Help with Medicare — If you know someone who is on Medicare and has limited resources and income, Extra Help is available for prescription drug costs. The Extra Help can help pay the monthly premiums, annual deductibles and prescription co-payments. To learn more or to apply, visit www.socialsecurity.gov or call **1-800-772-1213** (TTY **1-800-325-0778**).

Receive benefits and still work...

You can work and still get retirement or survivors benefits. If you're younger than your full retirement age, there are limits on how much you can earn without affecting your benefit amount. When you apply for benefits, we'll tell you what the limits are and whether work would affect your monthly benefits. When you reach full retirement age, the earnings limits no longer apply.

Before you decide to retire...

Carefully consider the advantages and disadvantages of early retirement. If you choose to receive benefits before you reach full retirement age, your monthly benefits will be reduced.

To help you decide the best time to retire, we offer a free publication, *When To Start Receiving Retirement Benefits* (Publication No. 05-10147), that identifies the many factors you should consider before applying. Most people can receive an estimate of their benefit based on their actual Social Security earnings record by going to www.socialsecurity.gov/estimator. You also can calculate future retirement benefits by using the Social Security Benefit Calculators at www.socialsecurity.gov.

Other helpful free publications include:

- *Retirement Benefits* (No. 05-10035)
- *Understanding The Benefits* (No. 05-10024)
- *Your Retirement Benefit: How It Is Figured* (No. 05-10070)
- *Windfall Elimination Provision* (No. 05-10045)
- *Government Pension Offset* (No. 05-10007)
- *Identity Theft And Your Social Security Number* (No. 05-10064)

We also have other leaflets and fact sheets with information about specific topics such as military service, self-employment or foreign employment. You can request Social Security publications at our website, www.socialsecurity.gov, or by calling us at **1-800-772-1213**. Our website has a list of frequently asked questions that may answer questions you have. We have easy-to-use online applications for benefits that can save you a telephone call or a trip to a field office.

You also may qualify for government benefits outside of Social Security. For more information on these benefits, visit www.benefits.gov.

If you need more information — Visit www.socialsecurity.gov on the Internet, contact any Social Security office, call **1-800-772-1213** or write to Social Security Administration, Office of Earnings Operations, P.O. Box 33026, Baltimore, MD 21290-3026. If you're deaf or hard of hearing, call TTY **1-800-325-0778**. If you have questions about your personal information, you must provide your complete Social Security number. If your address is incorrect on this *Statement*, ask the IRS to send you a Form 8822. We don't keep your address if you're not receiving Social Security benefits.

Social Security, CalSTRS and You

Get the facts on two federal rules that may affect you

As a California public school educator, you do not contribute to Social Security, so you will not receive a Social Security benefit for your CalSTRS-covered employment when you retire.

If you or a spouse paid into Social Security through non-CalSTRS covered employment, two federal rules, the Windfall Elimination Provision and the Government Pension Offset, may be used in the calculation of your Social Security benefit. Social Security is a federal program, and neither CalSTRS nor the State of California has control over eligibility requirements or benefit calculations.

These rules affect only your Social Security benefit. Your CalSTRS retirement benefit will not change.



Windfall Elimination Provision

Affects your Social Security benefit that is based on your earnings from other employment.

- May reduce your Social Security benefit, but it will not eliminate it.
- Reduces the income replacement ratio covered under the first component of the Social Security benefit formula, known as a bend point, to as low as 40%. If you paid Social Security taxes on substantial earnings for:
 - » **Up to 20 years**—This provision reduces the 90% factor of the Social Security computation formula to 40%.
 - » **21 to 29 years**—The 40% factor increases incrementally from 45% to 85%.
 - » **30 or more years**—There is no reduction to your Social Security benefit.

The following example was created based on a member turning 62 in 2020 with average Social Security-covered earnings of \$2,000.



Social Security substantial earnings

Social Security substantial earnings are defined each year. Here is a sampling:

1980	\$5,100
1990	\$9,525
2000	\$14,175
2010	\$19,800
2020	\$25,575

What does this mean for me?

Use the calculators at the Social Security Administration's *Information for Government Employees* page to see how the formula will affect you. Go to ssa.gov/gpo-wep for more information, including links to calculators that can provide personalized estimates.

Government Pension Offset

Affects the Social Security benefit you receive as a spouse, widow or widower.

The Government Pension Offset rule applies to Social Security spouses, widows or widowers benefits and reduces those benefits if the beneficiary also receives money from a government pension.

If you expect to receive Social Security benefits tied to your spouse's work history, the GPO may leave you with less income in retirement than you expected. This federal rule will reduce these benefits by two-thirds of the amount of your CalSTRS retirement benefit and may eliminate them altogether.

For example, if your spouse is receiving \$2,000 a month from Social Security, you could be eligible for up to \$1,000 per month before the application of the GPO.

If you are receiving a CalSTRS benefit of \$1,500 or more, then you will not be eligible to receive a Social Security spousal benefit at this time because two-thirds of \$1,500 is \$1,000. You still may be eligible to receive a widow's or widower's benefit in the future.

Use the GPO Online Calculator at ssa.gov/gpo-wep to estimate your benefits if you are affected by the GPO.

Important Things to Consider

- If you're receiving Social Security now, your Social Security benefit may be reduced or eliminated when you begin receiving your CalSTRS benefit.
- If you take a CalSTRS refund, your Social Security benefit still may be subject to offset.
- Let the Social Security Administration know when you plan to retire so that your Social Security benefit may be adjusted. Otherwise, you will have to repay any excess Social Security benefits you receive once you begin receiving your CalSTRS benefit.
- When you receive your CalSTRS annual benefit adjustment, contact the Social Security Administration. Your Social Security benefit may need to be adjusted.
- These two rules do not affect your Medicare benefits.
- Social Security benefits paid to CalSTRS option beneficiaries and survivor benefit beneficiaries are not affected by these rules.

CalSTRS Pension2®

Consider investing the 6.2% of your salary that would have gone to Social Security. Pension2, CalSTRS' voluntary defined contribution plan, offers 403(b), Roth 403(b), 457(b) and Roth 457(b) plans for additional retirement savings.

➤ **Pension2.com**

Find links to the Pension2 e-book, educational videos and online enrollment. Or call toll free 888-394-2060.

➤ **403bCompare.com**

Compare investment fees, performance and services for your employer's 403(b) products.



Scan this QR code to learn the advantages of Pension2.

CalSTRS Resources



WEB

CalSTRS.com
Click *Contact Us* to email
myCalSTRS.com
403bCompare.com

Pension2.com

STAY CONNECTED



CALL

800-228-5453
7 a.m. to 6 p.m.
Monday through Friday
916-414-1099
Calls from outside the U.S.
888-394-2060
CalSTRS Pension2®
Personal Wealth Plan
855-844-2468 (toll free)
Pension Abuse Reporting Hotline



WRITE

CalSTRS
P.O. Box 15275
Sacramento, CA
95851-0275



VISIT

Member Services
100 Waterfront Place
West Sacramento, CA 95605

Find your nearest
CalSTRS office at
CalSTRS.com/localoffices



FAX

916-414-5040

♻️ Printed on recycled paper

COM 1512 (rev 1/20)

Additional income worksheet



In retirement, your household is likely to have a patchwork of income streams. Some potential sources of additional retirement income are listed below. Take some time to fill out the total dollar amount your household has saved for each source. To calculate how much income you can pull from these accounts each year, we recommend meeting with a financial adviser.



TIP

To learn more about generating income from assets in the accounts listed, contact the **CalSTRS Pension2** team toll free at 888-394-2060.

Employer-sponsored retirement savings

403(b)	\$
Roth 403(b)	\$
457(b)	\$
401(k)	\$
Roth 401(k)	\$
TOTAL	\$

Individual retirement savings

IRA	\$
Roth IRA	\$
SEP IRA	\$
Other	\$
TOTAL	\$

Personal investments/Savings (brokerage accounts)

Mutual Funds	\$
Equities	\$
Bonds	\$
CDs	\$
Savings	\$
TOTAL	\$

COMBINED TOTAL

\$



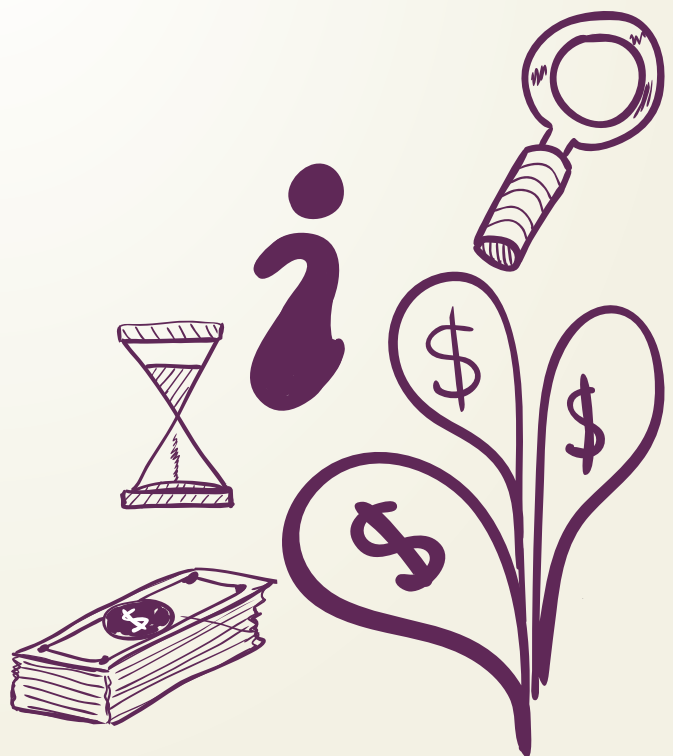
Input this number in BOX G of the flap

Obstacles



Retirement obstacles quiz

- True or False** The highest inflation year over year experienced in the United States was nearly 24%.
- True or False** In 1980, a dollar could purchase twice as many goods as it can today.
- True or False** A CalSTRS member's average retirement age is 65.
- True or False** An average CalSTRS member can expect to be retired for 19.2 years.
- True or False** Medicare will provide for 100% of my health care needs in retirement.
- True or False** On average, my CalSTRS retirement benefit will replace 50% of my working salary.
- True or False** Market risk cannot be eliminated from my investment portfolio.



Retirement obstacles quiz answers



TRUE. The highest inflation year over year experienced in the U.S. was 23.7%, from June 1919–June 1920.

FALSE. According to the Bureau of Labor Statistics, costs have increased threefold since 1980.

FALSE. For members who retired during the last several years, their average age at retirement was 63 years old.

FALSE. An average CalSTRS member may expect to be retired for more than 25 years.

FALSE. Medicare will not provide for all your health needs in retirement.

Medicare does help with medical costs, but it does not pay for everything. For many, this can be considered an unforeseen circumstance, especially when an unexpected or catastrophic illness occurs. Some retirees will want a supplemental policy. These can be quite expensive and annual cost increases have become the norm.

TRUE. On average, your CalSTRS retirement benefit will replace about half of your working salary.

You'll need to close any gap between your retirement income goal and your retirement benefit with supplemental savings and investments, such as a 403(b) or 457(b) account.

TRUE. Market risk can't be avoided completely.

However, there are investment options available that provide a guaranteed rate of return and eliminate the risk of losing your principal. One such investment option is available to CalSTRS Pension2 investors. If you're interested in more information, see page 31 of this workbook.

Resources

Retirement planning

Top 10 ways to prepare for retirement

From the U.S. Department of Labor, a guide to financial security in retirement—it takes planning, commitment and, yes, money.

dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/top-10-ways-to-prepare-for-retirement.pdf

Taking the mystery out of retirement planning

Another helpful guide to retirement planning and resources from the U.S. Department of Labor.

dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/publications/taking-the-mystery-out-of-retirement-planning.pdf

Savings fitness: A guide to your money and your financial future

Also from the U.S. Department of Labor, this guide provides information on savings, retirement preparation and basic financial education.

dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/publications/savings-fitness.pdf

Retirement toolkit

Contains interactive tools and resources for retirement planning, including information on Social Security and Medicare.

dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/publications/retirement-toolkit.pdf

Choose to save, ballpark estimate

An easy-to-use, interactive tool from the Employee Benefits Research Institute and American Savings Education Council that helps you quickly identify how much you need to save for a comfortable retirement.

choosetosave.org/ballpark

MyMoney.gov

Find links to retirement and financial planning resources.

mymoney.gov

Retirement Confidence Survey

Find the results of the Employee Benefits Research Institute's annual Retirement Confidence Survey.

ebri.org/retirement/retirement-confidence-survey

Social Security

Government Pension Offset

Affects the Social Security benefit you receive as a spouse or surviving spouse.

ssa.gov/gpo

Windfall Elimination Provision

Affects your Social Security benefit that is based on your earnings from other, nonCalSTRS employment.

ssa.gov/wep

What is the best age to start your benefits?

Find tips on how to make the most of your Social Security benefit, if you qualify for one.

ssa.gov/planners

Health care coverage

Centers for Medicare and Medicaid Services

Find information on Medicare and Medicaid services.

[cms.gov](https://www.cms.gov)

Covered California

Frequently asked questions about Covered California, the marketplace where individuals, families and small businesses can get affordable health insurance.

coveredca.com/faqs

California Health Advocates

Get free and objective information about Medicare from the Health Insurance Counseling and Advocacy Program.

cahealthadvocates.org/HICAP

CalSTRS resources

CalSTRS hybrid system

Information on the CalSTRS hybrid retirement system consisting of traditional defined benefit (Defined Benefit pension), cash balance (Defined Benefit Supplement and Cash Balance Benefit programs) and voluntary defined contribution (CalSTRS Pension2) plans.

CalSTRS.com/post/hybrid-retirement-system

CalSTRS workshops and benefits planning sessions

Find information, dates and locations of all CalSTRS workshops and benefits planning sessions.

CalSTRS.com/benefits-planning

CalSTRS Pension2

Find information on CalSTRS Pension2 403(b), 457(b), Roth 403(b) and Roth 457(b) plans, including an ebook and online enrollment.

Pension2.com

Glossary

401(k)/Roth 401(k)	<p>401(k): A retirement savings plan sponsored by an employer. It lets you save and invest some of your paycheck before taxes are taken out. You don't pay taxes on your contributions or earnings until you withdraw money from your 401(k) account.</p> <p>Roth 401(k): An employer-sponsored investment savings account funded with after-tax money. After reaching age 59½, any withdrawals you make are tax-free.</p>
403(b)/Roth 403(b)	<p>403(b): A 403(b) plan is a defined contribution retirement plan for employees of government and tax-exempt groups, including schools. You make pre-tax contributions to your 403(b) account from your paycheck. You don't pay taxes until you withdraw money from your account.</p> <p>Roth 403(b): Same as above, except you fund your Roth 403(b) account with after-tax money. At retirement, your withdrawals are tax-free.</p>
457(b)	<p>A nonqualified, deferred compensation plan established by state and local governments, tax-exempt governments and tax-exempt employers. You make pre-tax contributions to your account from your paycheck. Your contributions and earnings are not taxed until you receive distributions from your account.</p> <p>457(b): Same as above, except you fund your Roth 403(b) account with after-tax money. At retirement, your withdrawals are tax-free.</p>
Bonds	A debt investment in which an investor loans money to a corporate or governmental entity that borrows the funds for a defined period of time at a fixed interest rate. Bonds are used by companies, municipalities, counties and states to finance a variety of projects and services.
Brokerage account	An arrangement between an investor and a licensed brokerage firm that allows you to deposit funds with the firm and place investment orders through the brokerage, which then carries out the transaction on your behalf. As the investor, you own the assets in your brokerage account and usually must claim capital gains as income.
CalSTRS contributions	Member contributions are withheld pre-tax from earnings by payroll deduction and credited to your Defined Benefit account and, if you perform more than one year of service in a school year, to your Defined Benefit Supplement account.
CalSTRS hybrid retirement system	CalSTRS administers a hybrid retirement system as part of a comprehensive financial security package for members that includes defined benefit (Defined Benefit Program), cash balance (Defined Benefit Supplement Program and the Cash Balance Benefit Program) and defined contribution (Pension2) plans.
Cash balance plan	A retirement plan in which your contributions and your employer's contributions earn a guaranteed annual interest rate. At retirement, you receive all the funds in your account. The CalSTRS Defined Benefit Supplement and the Cash Balance Benefit programs are cash balance plans.
Cash Balance Benefit Program	An alternative CalSTRS retirement plan for educators hired to work part time. The Cash Balance Benefit Program is an alternative to Social Security, private plans and the CalSTRS Defined Benefit Program.
Certificate of deposit, CD	A savings certificate that entitles you to receive interest. A CD has a maturity date and a specified fixed interest rate and can be issued in most any amount. CDs are generally issued by commercial banks and are insured by the FDIC. The term of a CD generally ranges from one month to five years.
Covered California	The state marketplace established under the Affordable Care Act that connects Californians to accessible, quality health coverage.
Deductible	The amount you have to pay out of pocket before your insurance company will cover the remaining costs.
Defined Benefit Program	A traditional defined benefit plan within the State Teachers' Retirement Plan that provides a lifetime retirement benefit (based on a formula set by law: age factor X service credit X final compensation), and disability and survivor benefits.
Defined Benefit Supplement Program	The Defined Benefit Supplement Program is a hybrid cash balance plan for Defined Benefit members that provides additional savings for retirement. Benefits are based on contributions and interest credited to your account. Your contributions and your employer's contributions earn a guaranteed annual interest rate. At retirement, you receive all the funds in your account. Funds come from contributions on compensation earned in excess of one year of service in a school year and limited-term salary increases. From January 1, 2001 through December 31, 2010, funds came from 25% of your monthly CalSTRS contributions.

Defined Contribution Plan	A retirement plan in which the benefit depends on your contributions, investment gains or losses, and expenses. Benefits under defined contribution plans are not guaranteed. CalSTRS Pension2 is CalSTRS' voluntary defined contribution plan.
Equity	A stock or any other security representing an ownership interest. In the context of real estate, the difference between the current market value of the property and the amount owed on a mortgage or other loan.
Government Pension Offset, GPO	A federal rule that may reduce or eliminate a Social Security benefit payable to a spouse if the spouse receives a periodic payment based on their own employment that was not covered under Social Security from the federal government, a state or political subdivision of a state.
Health insurance premium	A fee paid to an insurance company or health plan to provide health coverage.
Health Insurance Counseling and Advocacy Program, HICAP	HICAP provides free and objective information and counseling about Medicare. In California, California Health Advocates provides this service.
Homeowner's association fees	An amount of money that must be paid monthly by owners of certain types of residential property to an organization that assists with maintaining and improving that property and others in the same group.
Homeowner's insurance	A form of property insurance designed to protect an individual's home against damages to the house itself or to possessions in the home. Homeowner's insurance also provides liability coverage against accidents in the home or on the property.
Inflation	The rate at which the general level of prices for goods and services is rising and subsequently purchasing power is falling.
IRA	An investing tool used by individuals to earn and earmark funds for retirement savings. There are several types of IRAs: Traditional IRAs, Roth IRAs, SIMPLE IRAs and SEP IRAs.
Medicare	Federally administered health insurance available to those age 65 and over.
Medicare tax	Tax deducted from the wages of every legally working American that is used to pay for the Medicare program. The tax was implemented under the Federal Insurance Contributions Act.
Mutual fund	An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks and bonds. They are operated by money managers who invest the fund's capital and attempt to produce gains and income for the investors.
Private mortgage insurance	A risk management product that protects lenders against loss if a borrower defaults. Most lenders require private mortgage insurance for loans with loan-to-value percentages in excess of 80% (the buyer puts down less than 20% of the home's value upon purchase).
Property tax	A tax assessed on real estate by the local government. The tax is usually based on the value of the property, including the land, you own.
Required minimum distribution, RMD	The amount that qualified plan participants must begin distributing from their retirement accounts by April 1 following the year they reach age 72. RMD amounts must then be distributed each subsequent year.
Retirement gap	Difference in the amount of monthly retirement income received versus the monthly expenses accrued.
Social Security	A federal program of social insurance and benefits developed in 1935. The Social Security program's benefits include retirement income, disability income, Medicare, Medicaid, and death and survivorship benefits.
Supplemental savings	Voluntary, employer-sponsored plans that allow employees to complement their defined benefit retirement plan with additional pre- or post-tax contributions.
Term life insurance	A policy with a set duration limit on the coverage period. Once the policy is expired, it is up to the policy owner to decide whether to renew the term life policy or let the coverage end.
Union dues	Regular payment of money made by members of unions. Dues are the cost of membership; they are used to fund the various activities which the union engages in.
Windfall Elimination Provision, WEP	A federal rule that may reduce but will not eliminate Social Security benefits you may be eligible for based on employment other than your CalSTRS-covered employment (CalSTRS members do not pay into Social Security).

Your income in retirement

Estimated monthly retirement expenses worksheet total p.15	-	Box A
Reduce your expenses challenge total monthly savings p.25		Box B
TOTAL EXPENSES		\$
CalSTRS retirement benefit p.29	+	Box D
Calstrs Defined Benefit Supplement annuity p.30	+	Box E
Other household income	+	Box F
Household Social Security income p.37	+	Box H
TOTAL INCOME SOURCES		\$

Box I	-	Box C	=	Excess or deficit
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My action plan

- | | To do | Done | |
|----|--------------------------|--------------------------|---|
| 1 | <input type="checkbox"/> | <input type="checkbox"/> | Complete the retirement lifestyle worksheet on page 8. |
| 2 | <input type="checkbox"/> | <input type="checkbox"/> | Contact my employer regarding health care benefits in retirement. |
| 3 | <input type="checkbox"/> | <input type="checkbox"/> | Contact Social Security at 800-772-1213 to verify my Medicare eligibility. |
| 4 | <input type="checkbox"/> | <input type="checkbox"/> | Sign up for Medicare at age 65. |
| 5 | <input type="checkbox"/> | <input type="checkbox"/> | Research health care resources and costs. |
| 6 | <input type="checkbox"/> | <input type="checkbox"/> | Review my paycheck statement for deductions, such as parking, that I won't have in retirement. |
| 7 | <input type="checkbox"/> | <input type="checkbox"/> | Register for a <i>myCalSTRS</i> account. |
| 8 | <input type="checkbox"/> | <input type="checkbox"/> | Access my <i>Retirement Progress Report</i> online using <i>myCalSTRS</i> . |
| 9 | <input type="checkbox"/> | <input type="checkbox"/> | Determine the amount of my Defined Benefit Supplement funds. |
| 10 | <input type="checkbox"/> | <input type="checkbox"/> | Contact CalSTRS Pension2 for additional savings plan information at 888-394-2060. |
| 11 | <input type="checkbox"/> | <input type="checkbox"/> | Use the calculators at ssa.gov/planners/benefitcalculators.html to determine if federal rules might affect my Social Security benefit. |
| 12 | <input type="checkbox"/> | <input type="checkbox"/> | Talk with a financial professional. How much income can I expect in retirement from my other retirement income sources? How can I maximize my retirement savings? |

Additional income worksheet Box G

- | | | | |
|----|--------------------------|--------------------------|---|
| 13 | <input type="checkbox"/> | <input type="checkbox"/> | Research other household income sources. |
| 14 | <input type="checkbox"/> | <input type="checkbox"/> | Sign up for Financial Awareness Series—Save for Your Future Workshop. |
| 15 | <input type="checkbox"/> | <input type="checkbox"/> | Sign up for Financial Awareness Series—Protect Your Future Workshop. |



CalSTRS resources



WEB

CalSTRS.com
Click *Contact Us* to email
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403bCompare.com
Pension2.com



CALL

800-228-5453
7 a.m. to 6 p.m.
Monday through Friday
916-414-1099
Calls from outside the U.S.
888-394-2060
CalSTRS Pension2*
personal wealth plan
855-844-2468 (toll free)
Pension Abuse Reporting Hotline



WRITE

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Find your nearest
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CalSTRS.com/localoffices



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STAY CONNECTED

