

3. Benefits for Part-Time Educators

This section is for the part-time educator. As a part-time educator you have access to all the benefits that CalSTRS offers. However, your part-time status presents you with special considerations in retirement planning. As a part-time educator, you have additional decisions about which retirement plan coverage to choose, as well as issues to consider that are unique to part-time employment.

Retirement Plans for Public School Employees

Federal law requires all employees to be covered under a retirement plan. California state law requires all public school employers to provide the CalSTRS Defined Benefit Program. For employees in certificated positions whose time base is less than half-time, public school employers must also offer either Social Security or another retirement program as an alternative to Social Security. The CalSTRS Cash Balance Benefit Program, described later in this section, is one example of an alternative to Social Security. Your employer may offer other alternative retirement programs. See your employer for full details about the specific programs it offers.

Choosing the Plan That's Right for You

If your basis of employment is less than 50 percent of full-time, here are some questions that may help you decide which retirement plan coverage is best for you:

- Do you plan to be a career teacher?
- Does teaching provide you supplemental income or is it your primary source of income?
- Prior to teaching, did you have employment that required you to pay into Social Security?

- What is the contribution rate for the plan and does the employer also make contributions?
- Is there a minimum requirement to be eligible for benefits?
- Does the plan charge administrative fees?
- Is there a guaranteed annual interest rate?
- Does the plan have a record of sound investment experience?
- When does the plan permit distribution of your account?

Retirement Options for Public School Educators

Defined Benefit Program

Members of the CalSTRS Defined Benefit Program who are employed on a part-time or adjunct basis are a distinctive group within the CalSTRS system. Your retirement benefit calculation uses the same components as a member who works full time: age factor, final compensation and service credit, as described earlier in Section 2, Your Membership and Benefits.

However, for you, two of those components, final compensation and service credit, are determined differently from full-time educators. Your final compensation and service credit depend on the amount you would have earned if you were working full time in your position. This amount of work is called full-time equivalent and this amount of compensation for the full-time equivalent is called earnable compensation.

Full-Time Equivalent

The full-time equivalent is the time that a member who is employed on a part-time basis would be required to work in one school year if he or she were employed full time in that position. For members employed in a community college or as an adult education instructor on a part-time basis, the FTE must be identified specifically in either the

collective bargaining agreement or in the employment agreement. The FTE stated in the agreement must be at least the minimum number of days or hours specified by law.

Note: The FTEs listed below are minimum standards; your individual FTE could be higher if your employer requires full-time employees to work more days or hours in that same activity in a school year.

It is important to make sure that your employers determine your FTE properly. Different assignments, even with the same employer, may have different FTEs. Refer to your employment agreement or collective bargaining agreement to obtain your

employing district's established FTE for your type of employment. If you see a discrepancy, contact that employer's office that reports earnings to CalSTRS.

Calculating Earnable Compensation

Your earnable compensation (also known as compensation earnable) is not the salary you actually were paid, but what you would have been paid if you worked full time in that position. Therefore, you take the hourly or daily rate for that position and multiply it by the full-time equivalent for the position to determine your earnable compensation.

Calculating Final Compensation

Another key component of your retirement calculation is final compensation. Your final compensation is equal to the highest average annual earnable compensation for three consecutive years, or 12 consecutive months if you have earned 25 years of service credit.

Calculating Service Credit

For part-time and adjunct faculty, service credit for one school year is equal to how much you actually earned in an assignment

Minimum Full-Time Equivalent

| If you are a: | Then the <i>minimum</i> FTE is: |
|--|---|
| Part-time community college instructor | 525 instructional hours, plus mandatory office hours, if paid |
| Community college adult education instructor | 875 instructional hours, plus mandatory office hours, if paid |
| K-12 teacher or any other person who works directly with pupils, including an instructor in an adult education program | 175 days or 1,050 hours |

Part-time Community College and Adult Education Instructor Service Credit

In one school year, Juanita teaches as a community college instructor for 262.5 hours, which is half of the FTE in her district. She also works as an adult education instructor for 350 hours or 40 percent of the FTE for that position.

| | Percent Time Worked | Minimum FTE | Actual Earnings | ÷ | Full-Time Rate | = | Service Credit Earned |
|------------------------------|---------------------|-------------|-----------------|---|----------------|---|-----------------------|
| Community College Instructor | 50% (262.5 hours) | 525 hours | \$15,000 | ÷ | \$30,000 | = | .500 |
| Adult Education Instructor | 40% (350 hours) | 875 hours | \$10,800 | ÷ | \$27,000 | = | .400 |
| Total Service Credit | | | | | | = | .900 |

Juanita would earn .900 of service credit for the year.

Part-time K-12 Teacher Service Credit

During the school year, Janet taught 30 percent of the FTE for K-12 teachers in her district, or 315 hours. The full-time pay rate was \$42,000. Because she worked every day of her 30 percent teaching contract, she earned \$12,600 for the school year.

| | Percent Time Worked | Minimum FTE | Actual Earnings | ÷ | Full-Time Rate | = | Service Credit Earned |
|-----------------|---------------------|-------------|-----------------|---|----------------|---|-----------------------|
| K-12 Instructor | 30% (315 hours) | 1,050 hours | \$12,600 | ÷ | \$42,000 | = | .300 |

Janet would receive .300 of service credit for the year.

divided by your earnable compensation for that assignment. When a member works multiple assignments, service credit is the sum of the service credit earned in each individual assignment, up to one year of service credit in a school year.

Raising Your Defined Benefit Retirement Amount

Increasing Service Credit with Additional Assignments

If you work on a part-time or adjunct basis, you may wish to consider taking on additional assignments to earn more service credit if you are not earning one full year of service credit under your existing assignment. Service credit can now be earned for activities such as teaching summer school and intersession, paid office hours, attending staff development days and serving as a coach, band director, yearbook editor or department chair. Extra service will count as additional service credit and will be included in calculating your total service credit for that school year. However, when you near retirement, be sure to consider another factor — final compensation.

Consider Final Compensation If Working for Multiple Employers

As a part-time educator, when you have more than one employer, your earnable compensation is the sum of all your actual salaries divided by the sum of all your service credit earned for the school year. Your final compensation is the average annual earnable compensation during your final compensation period, which is generally your last three years of employment. When salary rates and service credit vary within a school year, your final compensation may be lower, which can lower your retirement benefit. This means it is possible to earn a larger retirement benefit if you reduce the number of employers you work for during your final compensation period.

The example in the box shows how the calculation can affect the retirement benefit of a part-time educator.

Working for Multiple Employers

Kali works part time at two high schools and a community college. He has 8.95 years of service. If he continues to work for all three employers during his last three years before retirement at age 63, here is how his final compensation would be calculated:

| Employer | Earnings | Service Credit |
|----------|----------|----------------|
| A | \$ 3,360 | .100 |
| B | 30,250 | .500 |
| C | 6,563 | .250 |
| Total | \$40,173 | .850 |

Kali's annual earnable compensation is: $\$40,173 \div .850 = \$47,262$
 Monthly final compensation is: $\$47,262 \div 12 = \$3,938$

To increase his retirement benefit, Kali could terminate the employment where he receives the lowest annual pay rate and his retirement benefit would be higher.

| Employer | Earnings | Service Credit |
|----------|----------|----------------|
| A | \$ 3,360 | .100 |
| B | 30,250 | .500 |
| Total | \$33,610 | .600 |

Kali's annual earnable compensation is: $\$33,610 \div .600 = \$56,017$
 Monthly final compensation is: $\$56,017 \div 12 = \$4,668$

However, if Kali also terminates the position with the next lowest annual pay rate, his final compensation would be even higher.

| Employer | Earnings | Service Credit |
|----------|----------|----------------|
| B | \$30,250 | .500 |
| Total | \$30,250 | .500 |

Kali's annual earnable compensation is: $\$30,250 \div .500 = \$60,500$
 Monthly final compensation is: $\$60,500 \div 12 = \$5,042$

Here's the impact of the three alternatives on Kali's retirement benefit calculation:

Monthly final compensation is calculated by dividing annual earnable compensation by 12 months.

Works all three jobs:

| Service Credit | Age Factor | Monthly Final Compensation |
|----------------|------------|------------------------------------|
| 11.500 x | 2.4% x | \$3,938 = \$1,087 per month |

Terminates job with Employer C at the lowest annual pay rate:

| Service Credit | Age Factor | Monthly Final Compensation |
|----------------|------------|--|
| 10.750 x | 2.4% x | \$4,668 = \$1,204 per month or \$117 more per month |

Terminates all jobs except one with Employer B at the highest annual pay rate:

| Service Credit | Age Factor | Monthly Final Compensation |
|----------------|------------|--|
| 10.450 x | 2.4% x | \$5,042 = \$1,265 per month or \$178 more per month |

Kali decided that the increase of \$178 per month in his retirement benefit was significant enough to terminate employment at two of his part-time jobs. Over the lifetime of his retirement, the difference in income would likely be about \$53,000, not including the 2 percent annual benefit adjustment and any ad hoc increases or purchasing power increases.

However, Kali could not afford to work at only one part-time job during his final three years before retirement. To compensate for the loss in salary, he found part-time employment in addition to teaching in the public school system.

Each person's situation is different. We recommend you meet with a benefits counselor before making decisions that may affect your retirement benefit.

Social Security Program

Your district will offer Social Security to its part-time employees if it does not offer an alternative retirement program. Be aware that under federal law if you qualify for Social Security from any employment, including your spouse's, your Social Security benefit may be reduced if you receive a retirement or disability benefit from the Defined Benefit or Cash Balance Benefit programs or any alternative to Social Security offered by your employer. However, your Defined Benefit Program or Cash Balance Program benefit described in the following text will not be reduced if you receive Social Security benefits.

Because the provisions of Social Security are complex, call 800-772-1213 or go to www.ssa.gov to view publications for the Windfall Elimination Provision (reduction in employee's Social Security benefits) and Government Pension Offset (reduction in employee's Social Security benefits from spouse's employment).

CalSTRS has compiled information for CalSTRS members or Cash Balance Program participants. Visit www.CalSTRS.com, select *Members*, then *Social Security, CalSTRS and You*.

Cash Balance Benefit Program

CalSTRS offers a program designed specifically for part-time, substitute or temporary educators, which your district may provide as an alternative to Social Security. Your eligibility to participate in the Cash Balance Benefit Program is determined by your basis of employment, rather than the actual number of hours or days worked.

Your Cash Balance Benefit contributions are made in pre-taxed dollars via payroll deduction. There are no fees or charges for participation. In addition to a retirement benefit, you are also eligible for disability and death benefits.

For more information on the Cash Balance Benefit Program, call 800-228-5453.

The Cash Balance Benefit Program provides you:

- *Immediate vesting*
You are immediately eligible for a benefit equal to the sum of the balance of contributions, including compounded interest earned on your and your employer's accounts.
- *Variable contribution rates that can be bargained*
Your employer must contribute at least 4 percent of the salary you earn, and, generally, you also pay 4 percent. However, each employer may bargain alternative rates. You receive all contributions — both your own and your employer's — and interest, if you terminate public school employment.
- *Secure investments*
The CB Benefit Program investment portfolio is managed by CalSTRS investment professionals, who have a long and successful record of achievement.
- *Guaranteed interest rate*
The interest rate is set by the Teachers' Retirement Board for each plan year based on the 30-year Treasury rate. For 2006-2007, the rate is 4.75 percent. For 2007-2008, the rate is 5.25 percent
- *Additional earnings credit*
The Teachers' Retirement Board may, on an annual basis, grant an additional earnings credit to be added to your account.

- *Portability to meet the needs of a part-time educator*
In most cases, you can continue participation in the Cash Balance Benefit Program if you move to another employer that offers the program. If you become a member of the Defined Benefit Program and are no longer contributing to the CB Benefit Program, you may elect to receive credit in the DB Program for eligible CB service.
- *Options if you leave public school employment*
If you leave CalSTRS-covered employment, you have two options:
 - Leave your funds on deposit with CalSTRS.
 - Withdraw your funds or roll them over to another eligible retirement plan or IRA. If you decide to withdraw the funds, you'll have to wait six months after you terminate employment. If you withdraw the funds and then return to CalSTRS-covered work, you won't be able to withdraw funds again for five years.
- *Flexibility at retirement*
You can take your contributions, your employer's contributions, plus compounded interest in a lump sum, or you can choose an annuity to provide monthly retirement benefits if your balance is at least \$3,500.

Are You Eligible to Participate?

When you are hired by a K–12 district, county office of education or a community college district, your employer is required to notify you that you can elect membership in the CalSTRS Defined Benefit Program, even though you are a part-time employee. You have the option to participate in the Cash Balance Benefit Program, the Defined Benefit Program or another retirement plan your employer offers. If you choose the CB Benefit Program and your basis of employment changes to half time or more, you will automatically become a member of the Defined Benefit Program.

As long as your basis of employment remains part-time, substitute or temporary,

you can choose to participate either in the CalSTRS Cash Balance Benefit Program or the CalSTRS Defined Benefit Program — if you are employed in a district that offers the CB Benefit Program.

Participating School Districts Can Offer CB Benefit Program

School districts and community colleges can offer their part-time employees the CB Benefit Program. Offering the CB Benefit Program may be bargained, as some districts are doing currently. Contact your district(s) or county superintendent of schools or union representative to determine if the CB Benefit Program is available.

Working for Multiple Employers

If you are hired to perform eligible service per employer, you may participate simultaneously in more than one retirement program with different employers, unless you are hired to a full-time position with one employer.

Choosing Between Defined Benefit and an Alternative Retirement Program

As a part-time, substitute or temporary employee, you may have a choice of retirement programs. Employers must offer the Defined Benefit Program and an alternative program to all adjunct employees or part-time educators hired to work less than 50 percent of the full-time equivalent for a specific position. Districts can offer one or more of the following programs:

- CalSTRS Cash Balance Benefit Program
- Another program chosen by the district
- Social Security

Full-time employees are automatically enrolled in the CalSTRS Defined Benefit Program. As a part-time employee, you may choose the Defined Benefit Program anytime during your career.

You may want to choose the CalSTRS Defined Benefit Program if you:

- Plan to work as a California educator long enough to become vested (five years of service credit). This could take 10 years of half-time employment.
- Want a monthly benefit that provides a specific amount that is known in advance and payable for life, and not on the monies in your account.
- Are comfortable contributing 8 percent of your pay toward your retirement.

You may want to choose the Cash Balance Benefit Program if you work in a district where it is offered and you:

- Want a program that provides immediate vesting.
- Want a lump-sum or lifetime monthly benefit based on monies credited to your account with a guaranteed interest rate.
- Are comfortable with the contribution rate, which is typically 4 percent of your salary depending on your local bargaining agreement. This rate is matched by your employer.

Consolidating Your Cash Balance and Defined Benefit Coverages

You may have benefit coverage under both the Defined Benefit Program and the Cash Balance Benefit Program. If you meet eligibility requirements, you may elect to have CalSTRS consolidate your benefit coverage under the DB Program. To be eligible, you must currently be making contributions under the DB Program; you can no longer be contributing to your CB account; you must have eligible CB service to convert; and you must have funds in your CB account.

When you elect to consolidate your benefits, CalSTRS will transfer the contributions and interest from your Cash Balance account to the Defined Benefit Program and close your CB account. CalSTRS will determine the service credit that could be added to your DB account based on the work performed as a CB participant and will apply those funds toward the cost of converting your eligible

CB service under the DB Program. In most cases, CB Benefit Program contributions and interest will not cover the full cost of all eligible CB service that you performed because the contribution rate to buy permissive service credit is significantly higher than the CB Program contribution rate. You may contribute personal funds toward covering the remaining cost of your eligible CB service.

You may have more funds in your CB account than are required to cover the cost of your eligible service. This could occur if your account includes funds that were rolled over from another retirement plan or you had past overtime service that was covered by CB. If this occurs, you must specify how you would like CalSTRS to allocate the residual amount in your CB account after funds are transferred to cover the cost of consolidating benefits.

You may apply the residual amount to redeposit previously withdrawn contributions in the DB Program or use it to pay for additional service that you are eligible to purchase. The types of service that you may purchase are outlined in the *Purchase Additional Service Credit* brochure. Any funds remaining in your account that are not used for these purposes will be transferred to your Defined Benefit Supplement account and your CB account will be closed as part of the benefit consolidation process.

Consolidating benefits provides several advantages including:

- You may increase the amount of service credit that will be used to determine your retirement benefit, which may increase your monthly retirement benefit.
- Credit for your eligible CB Benefit Program service may also be used toward eligibility for benefit enhancements, such as one-year final compensation, career factor and longevity bonus.

For more information about the CalSTRS Cash Balance Benefit Program call 800-228-5453 or visit www.CalSTRS.com/Members, and select *Cash Balance Benefit Program Summary*.