

Glossary of Terms

A

Age Factor

A percentage determined by your age on the last day of the month in which your retirement becomes effective. It equals 2 percent at age 60. The factor is reduced by .001 (one one-hundredth) of 1 percent for each month or fraction of a month in which the member is under 60 but at least 55. For members seeking early retirement who are age 50, but under age 55, the factor is further reduced by $\frac{1}{4}$ of 1 percent for each month or partial month under age 55. For members over age 60, the factor is increased by 0.033 for every quarter year of age to a maximum of 2.4 percent at age 63 and over.

Air Time

See nonqualified service credit

Annual Benefit Adjustment

Automatic, annual increases to the monthly benefit, starting September 1 after the first anniversary of the effective date of the benefit. Calculated at 2 percent of the initial benefit.

Annual Statement of Account (see also Retirement Progress Report)

A statement included in your *Retirement Progress Report* is mailed directly to active and inactive members each year that provides a summary of Defined Benefit Program and Defined Benefit Supplement Program transactions during the prior year, service credit, contribution and interest balances, key provisions of the CalSTRS DB and DBS Programs and death benefit recipient information as of the previous June 30. If you have purchased additional service credit or redeposited contributions that were previously refunded, the changes will first appear on the statement of account for the fiscal year during which the final payment was made. Cash Balance Benefit Program

participants are mailed a statement of their account's contributions and accrued interest.

Annuity

Member-Only (DBS) or Participant-Only (CB) Annuity (formerly Single Life Annuity with cash): A lifetime monthly payment. Any balance remaining upon your death will be paid to your one-time death benefit recipient or recipients. *Note: This annuity was renamed Member-Only and Participant-Only Annuity on January 1, 2007.*

100% Beneficiary Annuity (formerly 100% Joint and Survivor Annuity): Provides a monthly payment for your lifetime and the lifetime of your annuity beneficiary. One hundred percent of your monthly annuity would be paid to your option beneficiary upon your death. *Note: This annuity was renamed 100% Beneficiary Annuity on January 1, 2007.*

75% Beneficiary Annuity (new annuity): Provides a monthly payment for your lifetime and the lifetime of your annuity beneficiary. Seventy-five percent of your monthly annuity would be paid to your option beneficiary upon your death.

50% Beneficiary Annuity (formerly 50% Joint and Survivor Annuity): Provides a monthly payment for your lifetime and the lifetime of your annuity beneficiary. Fifty percent of your monthly annuity would be paid to your option beneficiary upon your death. *Note: This annuity was renamed 50% Beneficiary Annuity on January 1, 2007.*

Period-Certain Annuity: A monthly payment made for any number of years from three to 10. The amount you receive is based on the number of years over which the annuity is paid; the lower the number of years, the higher the annuity. If you die before the annuity period ends, the remaining payments are paid to your one-time death benefit recipient or recipients.

B

Beneficiary

Any person or entity receiving or entitled to receive payments because of the death of a member. Only a person (not an estate, trust or corporation) may be designated to receive an option benefit upon the death of a member.

Benefit

A monthly amount payable to a retired member, disabled member or beneficiary.

Benefit Formula (Service Retirement)

For the Member-Only Benefit, multiply service credit by the age factor then by final compensation. If choosing an option, multiply the Member-Only Benefit by the appropriate option factor.

C

CalPERS

California Public Employees' Retirement System

CalSTRS

California State Teachers' Retirement System

Career Factor

For members who retire on or after January 1, 1999, with at least 30 years of earned service credit, 0.2 percent is added to the age factor up to a maximum age factor of 2.4 percent, which is reached at age 61½.

The career factor (see Section 6, Your Retirement Benefit) does not apply if the member dies before retirement without a pre-retirement election of an option on file at CalSTRS.

Cash Balance Benefit Program

Alternative CalSTRS retirement plan for educators hired to work part time. Cash Balance Benefit Program is an alternative to Social Security, private plans or the CalSTRS Defined Benefit Program.

Client ID

A randomly generated identification number assigned by CalSTRS to protect members' identity and privacy. The number is available on any correspondence from CalSTRS and on your annual *Retirement Progress Report*. It may be used to communicate with us about your account.

Concurrent Retirement

Retiring at the same time from CalSTRS and from certain other California public retirement systems (Legislators' Retirement System, Public Employees' Retirement System, San Francisco Employees' Retirement System, University of California Retirement System or those systems established under the County Employees' Retirement Law of 1937). CalSTRS may use the salaries for service performed under the other retirement system to calculate the CalSTRS retirement benefit if the service was not performed during the same pay period CalSTRS' was.

County Employees' Retirement Law of 1937

The 1937 Act law includes retirement systems from the following counties: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura. Also known as '37 Act counties.

Coverage A

The disability allowance and family allowance programs that existed on or before October 15, 1992. Coverage A is mandatory for all members of the DB Program who were receiving a disability benefit or a service retirement benefit with a benefit effective date on or before October 15, 1992. Members who were not receiving a benefit on or before October 15, 1992, were permitted to retain this coverage or elect Coverage B.

Coverage B

The disability retirement and survivor benefits programs that became effective after October 15, 1992. Coverage B is mandatory for all new members. Active members who were hired on or before October 15, 1992 may have elected this coverage.

Creditable Compensation

Salary and other remuneration payable in cash by an employer to a member for creditable service.

Creditable Service

Specific employment activities such as teaching, vocational or guidance counseling, services related to school curriculum and a variety of administrative duties performed for a school district, community college district or county superintendent of schools.

Credited Interest Rate

At the end of each fiscal year, interest is credited to the accumulated DB contributions and interest in each active and inactive member's account at the interest rate adopted by the Teachers' Retirement Board. It is currently set at a rate that approximates the yield on two-year Treasury notes.

Credited Service

Service credit for which required contributions have been paid.

D**Defined Benefit**

A retirement benefit in which the benefit is guaranteed and generally based on a formula.

Defined Benefit Program

A benefit program within the State Teachers' Retirement Plan that provides retirement benefits based on a formula using age, service credit and final compensation, as well as ancillary benefits, for California's public school educators who are members of the program.

Defined Benefit Supplement Program

A supplemental benefit program with

benefits based on contributions and interest credited to individual member's accounts. Funds will come January 1, 2001, through 2010, from 25 percent of each member's monthly CalSTRS contribution and starting July 1, 2002, from compensation earned from service in one school year in excess of one year of service credit.

Defined Contribution

A retirement benefit in which the benefit is based on the contributions plus interest earnings and is not guaranteed.

Disability Allowance (Coverage A)

A feature of the Defined Benefit Program selected by and offered to individuals who became members on or before October 15, 1992, that provides income replacement for disabled members. The allowance is paid as long as the individual is disabled or until the age of 60 when the member becomes eligible for service retirement.

Disability or Disabled

A medically determinable physical or mental impairment that is permanent or that can be expected to last continuously for at least 12 months. The disability must prevent a member from performing the member's usual duties with reasonable modifications or the duties of a comparable level for which the member is qualified or can become qualified by education, training or experience. A member may apply for disability while still employed. Any impairment from a willful self-inflicted injury does not constitute a disability.

Disability Retirement (Coverage B)

A feature of the Defined Benefit Program for individuals who became members after October 15, 1992, or elected this feature during the special election held October 1992 to April 1993. Those receiving payments under Coverage B are "retired" and will be paid as long as they are disabled, without respect to age.

Disabled Member

A member to whom a disability benefit is payable.

E

Early Retirement Limited Term Reduction Program

A retirement alternative for Defined Benefit members. A member must be at least age 55, but under age 60, and have at least five years of credited service, for retirement under this alternative. The member receives one-half the monthly benefit amount calculated as if the member were age 60. The reduced benefit will continue for the same number of months after age 60 that benefits were received before age 60. After that, the normal service retirement benefit will be paid.

Earnable Compensation

Compensation a person could earn in a school year for creditable service performed on a full-time basis (also known as compensation earnable).

Earnings Limit

The amount a disabled or retired member may earn in a month without a reduction in the CalSTRS benefit.

Eligible Child

Coverage A: A member's offspring who is unmarried or not registered as a domestic partner, adopted child or stepchild under age 22 who is financially dependent upon the member on the effective date of the disability benefit or the date of the member's death.

Coverage B: A member's child, adopted child or stepchild, under 21 years of age, if financially dependent on the member on the effective date of disability retirement or the date of the member's death.

F

Family Allowance (Coverage A)

An amount paid to the surviving spouse or partner with eligible children after the member's death. The maximum amount is 90 percent of the member's final compensation; 40 percent for spouse or partner and 10 percent for each eligible child, to a maximum of five children.

Final Compensation

The highest average annual earnable compensation by a member during a specified period of CalSTRS-covered paid employment. The period is one year if the member has at least 25 years of credited service or if it is included in a written collective bargaining agreement for classroom teachers. The period is three consecutive years for members with fewer than 25 years of service credit.

Full Time

The number of days or hours of creditable service the employer requires a class of employees to perform in a school year under a collective bargaining or employment agreement to receive the earnable compensation.

H

Home Loan Program

A CalSTRS program for DB members and CB Benefit Program participants to apply for conventional, fixed-rate and first mortgage loans to purchase or refinance primary residences.

I

Indexed Final Compensation

The final compensation used to determine your disability benefits, multiplied by the Indexed Final Compensation factor, based on the year of your initial benefit.

Indexed Final Compensation Factors

Factors developed annually based on the change in the members' statewide average earnable compensation. These factors are used to calculate indexed final compensation.

L

Longevity Bonus

An increase to the monthly Member-Only retirement benefit of those who accumulate at least 30 years of service credit before January 1, 2011, regardless of when they retire.

M

Member

Any person who has performed creditable service in the Defined Benefit Program for an employer and has earned compensation for that service and has not received a refund for that service, unless specifically excluded by law.

Active Member: A member who earns creditable compensation during the school year.

Inactive Member: A member who, by the pay period ending June 30, has not earned creditable compensation during the school year.

Disabled Member: A member to whom a disability benefit is payable.

Retired Member: A member who has terminated employment and has retired for service or has retired for disability and to whom a retirement benefit is payable.

Vested Member: A member who has accrued five years of credited service to be eligible for service retirement, disability retirement or disability benefit.

Member-Only Benefit

The highest monthly benefit payable to a member retired for service or disability prior to any reduction for election of an option.

N

Nonconsecutive Final Compensation

The highest average annual earnable compensation during any period of three years of paid employment covered by CalSTRS. Available for those members who received a salary reduction due to a reduction in school funds. Upon certification from the employer, CalSTRS will use the highest three nonconsecutive school years to determine final compensation.

Nonqualified Service Credit

Service not connected to any prior specific employment.

O

One-Time Death Benefit

A one-time benefit made to the recipient(s) after a member dies.

Option

Plan feature that allows a member to distribute the retirement benefit over the lifetime of the member and another person or persons.

As of January 1, 2007, Options 2-5 are no longer available for selection.

100% Beneficiary Option (formerly Option 6): Upon the member's death, the reduced benefit will be paid to the option beneficiary for life. If the option beneficiary predeceases the retired member, the retired member's benefit will be raised to the Member-Only level. *Note: This option was renamed 100% Beneficiary Annuity on January 1, 2007.*

75% Beneficiary Option (new option as of January 1, 2007): Upon the member's death, three-quarters of the reduced benefit will be paid to the option beneficiary for life. If the option beneficiary predeceases the member, the member's benefit will be raised to the Member-Only level.

50% Beneficiary Option (formerly Option 7): Upon the member's death, one-half the reduced benefit will be paid to the option beneficiary for life. If the option beneficiary predeceases the member, the member's benefit will be raised to the Member-Only level. *Note: This option was renamed 50% Beneficiary Annuity on January 1, 2007.*

Compound Option (formerly Option 8): Upon the member's death, benefits will be paid to multiple option beneficiaries for life. The benefit paid to an individual beneficiary depends on which option was selected for that beneficiary, and what percentage of the total benefit was subject to the option and beneficiary selected. *Note: This option was renamed Compound Option on January 1, 2007.*

Option Beneficiary

The person named by a member to receive a lifetime monthly benefit after the member's death.

Option Factor

An actuarially determined factor used to calculate the amount of monthly benefit when an option is selected to provide a lifetime monthly benefit to a designated option beneficiary after the member's death.

P

Parent

A natural parent or parent who adopted the member prior to the member's attainment of 18 years of age or marriage, whichever occurs earlier.

Participant

A person who has performed creditable service subject to coverage by the Cash Balance Benefit Program and who has contributions credited under the Cash Balance Benefit Program or is receiving an annuity under the Cash Balance Benefit Program by reason of creditable service.

Post-Tax Contributions

Member contributions paid into the CalSTRS Defined Benefit Program based on creditable compensation from which federal and state income taxes have been withheld.

Projected Final Compensation

The final compensation used to determine the Disability Allowance or Family Allowance, under Coverage A, increased by 2 percent, compounded annually, to the earlier of age 60 or the date the Disability Allowance is terminated.

Projected Service

Credited service plus the service that would have been earned to age 60 (or termination of the Disability Allowance, whichever comes first) had the member continued to

work and receive service credit at the same rate as the highest of any one of the three school years immediately preceding death or the date the Disability Allowance began to accrue under Coverage A.

R

Recipient

A person or persons named by a member to receive the one-time death benefit.

Redeposit

The purchase of service credit represented by previously refunded contributions after terminating CalSTRS-covered employment. Redeposit costs include the interest the refunded amount would have earned had the funds remained in the CalSTRS account.

Reduced Workload Program

A feature under which eligible members may reduce their workload from full time to part time (a minimum of 50 percent of full time) and still receive a full year of service credit. Members may participate in this program for up to 10 years before retirement.

Refund

A distribution of all DB member post-tax contributions, tax-deferred contributions and interest credited on those contributions after a member has terminated employment with the California public school system.

Registered Domestic Partner (Partner)

A registered domestic partner has many of the same rights and responsibilities as spouses under California law — including, but not limited to, laws concerning community property, child custody and support, and access to family court for the dissolution of a partnership. To register a domestic partnership with the California Secretary of State's office you and your partner must be of the same sex, or if you and your partner are opposite sexes, one of you must be at least 62 years old.

Reinstatement

Returning to employment in a position requiring CalSTRS membership, such as a retired educator returning to the classroom in a credentialed position and terminating of a CalSTRS benefit.

Retirement Benefit

A monthly benefit paid to a member each month after retirement.

Retirement Benefit Calculation

The formula used to calculate the Member-Only amount CalSTRS members will receive each month after retiring for service. The formula is: service credit x age factor (2 percent at age 60) x final compensation = Member-Only Benefit.

Retirement Progress Report (see also Annual Statement of Account)

A brochure mailed each year to active and inactive members. It contains annual statement of accounts for Defined Benefit and Defined Benefit Supplement accounts, pension estimates (for members over 45), information on disability and survivor benefit coverage, a listing of option beneficiaries and more.

Retirement Incentive Program

A program provided by employer that would increase the service credit or age factor used in calculating the CalSTRS service retirement benefit. This program allows DB members who are eligible to retire to receive two years of service credit often called golden handshake.

Return of Member Contributions

A one-time payment of all accumulated member contributions. Payment equals the member's total contributions and interest at time of retirement, disability or death, less the sum of all monthly benefit payments received. This is payable when there are no longer any option beneficiaries or survivors who qualify for a continuing monthly benefit from the program.

S**Service Credit**

Accumulated period of time in years, including partial years, for which a member earned creditable compensation and made contributions under the Defined Benefit Program. Service credit cannot exceed 1.000 in any given school year.

Single-Month Earnings Limit (Disability Allowance, Coverage A)

The amount a disabled member may earn in any month without a reduction in the disability allowance. The member's disability allowance and employment earnings in a single month are added together and compared to the indexed final compensation for the month. Amounts in excess of the limit will be collected by CalSTRS dollar for dollar.

Six-Month Earnings Limit (Disability Allowance, Coverage A)

The member's employment earnings and disability allowance over any continuous six-month period are compared to two-thirds of the indexed final compensation. If the member exceeds this limit, the disability allowance can be terminated.

Subrogation

A process that permits CalSTRS to participate in an action to recoup expenses and legal costs when a third party causes the injury or death of a CalSTRS member before retirement and the member or family pursues civil litigation.

Supplemental Benefit Maintenance Account

The account from which payments are made to members and beneficiaries whose current benefit is worth less than a specified percent of the original benefit when adjusted for increases in the California Consumer Price Index. The percentage is currently set at 80 percent.

**Surviving Spouse or
Registered Domestic Partner**

A person who was married to a member or the registered domestic partner of a member for at least 12 months prior to the member's death. May be married or a partner fewer than 12 months if a child was born during the marriage or partnership if the surviving spouse or partner is pregnant with the member's child.

A law, effective January 1, 2004, also defines a spouse or partner as a person who was continuously married or registered to a member for fewer than 12 months prior to the accidental death of the member or for the period beginning prior to the occurrence of the injury or diagnosis of the illness that resulted in the member's death.

T

Teletalk

An automated telephone system that provides general information about a variety of CalSTRS subjects. You can also request forms, publications, duplicate 1099Rs and statements of accounts.

V

Vested Member

A member of the CalSTRS Defined Benefit Program with five years of credited service.

Voluntary Investment Program

An optional, tax-deferred 403(b) savings program that complements the CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs.

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myCalSTRS Keeps Me Informed

myCalSTRS is a secure, online location where you can view and update your personal account information, send and receive confidential communication and access forms and general retirement information. You can also make online updates to specific types of mailing addresses and telephone numbers.

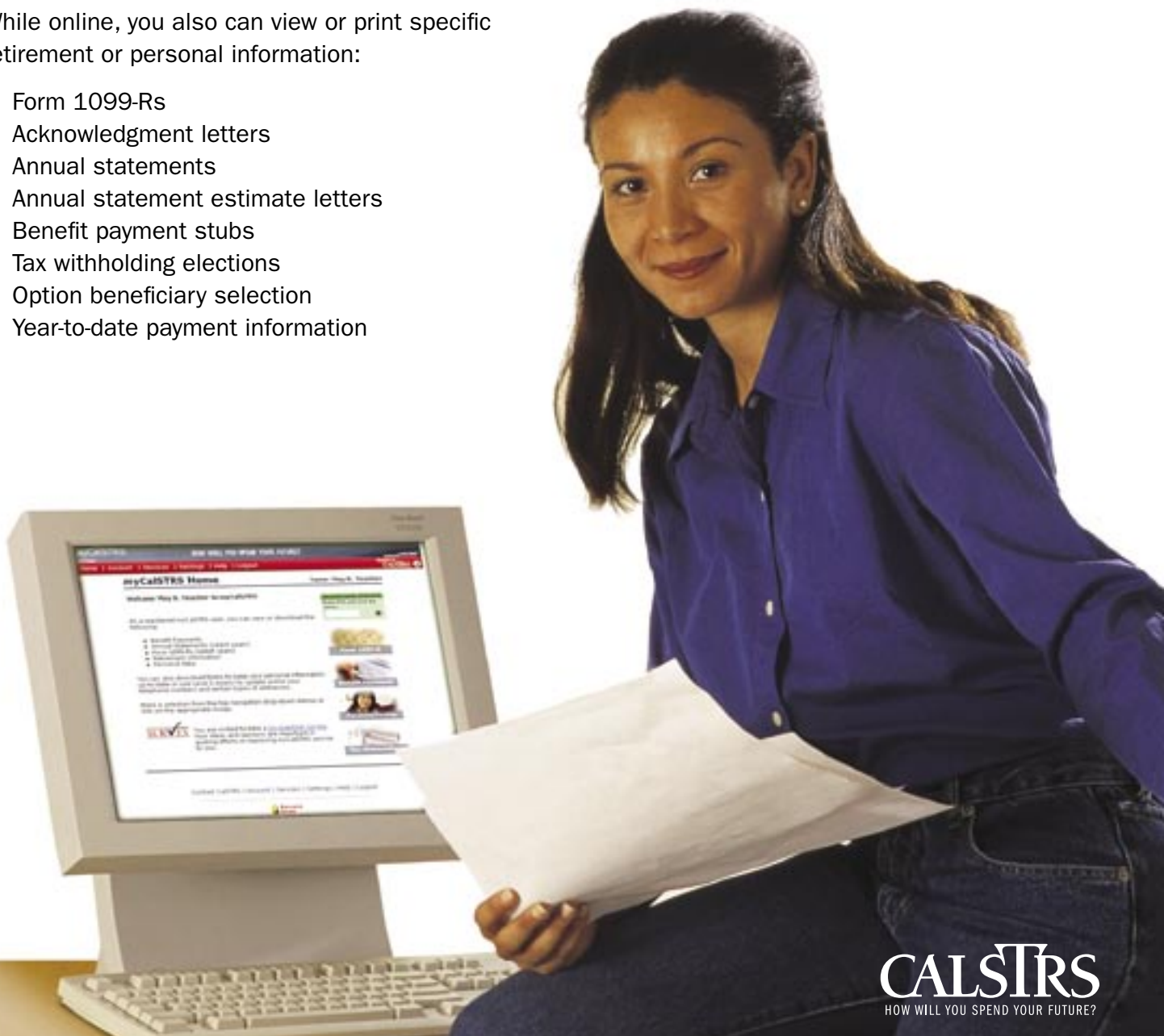
The Online Messaging feature provides registered myCalSTRS users with the ability to securely send and receive confidential information or get answers to personal account questions.

While online, you also can view or print specific retirement or personal information:

- Form 1099-Rs
- Acknowledgment letters
- Annual statements
- Annual statement estimate letters
- Benefit payment stubs
- Tax withholding elections
- Option beneficiary selection
- Year-to-date payment information

You can help guide efforts to improve your online services. Just take a few minutes to complete the six-question survey on your myCalSTRS home page.

Log in to myCalSTRS from www.CalSTRS.com. To register, click on the *Register* image and follow three easy steps. Getting answers to many of your questions about CalSTRS or your retirement account is just that easy.



CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

www.calstrs.com

Checklist for a Secure Financial Future

Less than one year of service credit

- _ Begin saving in a tax-deferred 403(b) account such as the CalSTRS Voluntary Investment Program.
- _ Submit a *One-Time Death Benefit Recipient* form.

One to five years of service credit – You are now eligible for the CalSTRS one-time death benefit and monthly survivor benefit if you die while an active member.

- _ Check your annual statement of account included in your *Retirement Progress Report* every year for the accuracy of your service credit.
- _ Start a file to save your annual statements and other CalSTRS forms.
- _ Attend a Demystifying CalSTRS workshop.
- _ Review your *Getting Started* member kit.

Five years of service credit – You are now vested and are eligible to receive a lifetime monthly retirement benefit when you retire. You can now retire if you are at least 55.

- _ Attend a CalSTRS Fundamentals workshop.
- _ Use the online Retirement Benefits Calculator at www.CalSTRS.com to estimate your retirement benefit.
- _ Consider increasing your contributions to your tax-deferred 403(b) or other savings.
- _ Develop a financial plan.
- _ Continue to check your annual statements included in your *Retirement Progress Report* for accuracy and file them with other important CalSTRS information.
- _ Review your *On Your Way* member kit.

Ten years of service credit – It's time to plan the financial details of your career and retirement.

- _ Attend a CalSTRS Fundamentals workshop if you have not already done so.
- _ Meet with a CalSTRS benefits counselor in person or by telephone.
- _ Review the one-time death benefit recipient designation and your service credit shown on your *Retirement Progress Report*.
- _ Update your financial plan.
- _ Increase your tax-deferred savings.
- _ Review your *Getting Closer* member kit.

Between the ages 50 and 55 with at least 30 years of service credit OR At least age 55 with at least five years of service credit – You are eligible to retire.

- _ Attend a CalSTRS Retirement Checkup workshop and a Retirement Income Management workshop.
- _ Get an estimate of your retirement benefit from a CalSTRS benefit counselor in person or by telephone.
- _ Submit a *Pre-Retirement Election of an Option* form to provide a lifetime monthly benefit to someone if you die before retirement, if applicable.
- _ Update your *One-Time Death Benefit Recipient* form, if necessary.
- _ Review your *Get Ready* member kit.



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