

# 5. Approaching Retirement

**A**s you move through your working career toward the next chapter in your life, it's a good idea to learn about issues and programs that complement your core retirement benefits. If you are within a few years of your projected retirement date, here are some important things to consider.

## One-Time Death Benefit Recipient

When you die, a one-time death benefit is payable to your named recipient if eligibility requirements are met. The one-time death benefit amount varies depending on whether you have a disability and survivor benefit under Coverage A or B and whether you die before or after retirement. For details, [see Section 9](#), Survivor Benefits.

This is a separate designation from your option beneficiaries who receive a lifetime monthly benefit when you die. You may name one or more recipients, and there is no restriction regarding whom you may name. If you do not have a one-time death benefit recipient in effect on the date of death, the one-time death benefit will be paid to your estate.

The one-time death benefit, plus any accumulated contributions remaining in your account, will be paid to your one-time death benefit recipients if you:

- Were receiving a service retirement benefit at the time of death.
- Were receiving or were eligible to receive a disability retirement benefit at the time of death.
- Had at least one year of service credit and died:
  - » While an active CalSTRS member.
  - » Within four months of terminating CalSTRS-covered employment.



- » Within four months of terminating a disability benefit, if no CalSTRS service was performed.
- » Within 12 months of the last day of paid CalSTRS-covered service, if on an approved leave of absence without compensation for reasons other than disability or military service.

Your CalSTRS *Retirement Progress Report* identifies your one-time death benefit recipient if you have chosen one. You can view or download the *One-Time Death Benefit Recipient* form at [www.CalSTRS.com](http://www.CalSTRS.com) or order the form by calling us at 800-228-5453.

Every member with at least one year of service credit is encouraged to complete a form. You can change your death benefit recipient at any time, with no financial penalty.

### Marriage or Domestic Partner Dissolution or Termination May Affect Designation

If the dissolution judgment or termination and your death occur after January 1, 2002, the one-time death benefit recipient designation of your former spouse or partner is invalid.

If you choose to have your former spouse or partner as your one-time death benefit recipient, you must submit a new *One-Time Death Benefit Recipient* form.

### Protecting Your Loved Ones Before You Retire

If you are eligible to retire, you may make a “preretirement election of an option” to ensure a monthly lifetime income for another person or persons if you die before retirement. When you elect an option, your monthly benefit will be reduced from the Member-Only Benefit. The percentage of the reduction is based on the option selected, your age and the ages of your beneficiaries when the option is elected. For a description of options and their effect on your monthly benefit, see [Section 6](#), Your Retirement Benefit.

If you make a preretirement election of an option and die before your retirement, the monthly benefit paid to your option beneficiaries will be based on the reduced benefit that would have been paid if you had retired as of the date of death.

When you retire, your benefit will be reduced using the higher of the option factors in effect as of the date you elected the option or as of your retirement date.

The example below illustrates the difference in benefits if you choose an option before retirement or wait until retirement to choose an option.

Although your benefit will be reduced at retirement based on the option you choose, the reduced benefit will be slightly higher than it would be if you wait until retirement to choose an option. The preretirement election of an option uses the younger member and beneficiary ages.

Be sure to carefully consider the advantages and disadvantages of choosing a preretirement election of an option.

### Advantages of a Preretirement Election of an Option

If you should die before retirement and you have chosen an option beneficiary or beneficiaries, they will receive a lifetime monthly benefit. The benefit begins immediately on your death, regardless of the ages of your beneficiaries.

In most cases, the reduced benefit will be higher if you make a preretirement election of an option before retirement than if you wait and elect one at the time of retirement.

If you become disabled after making a preretirement election of an option and you have a disability benefit under Coverage A, you may retain the option election to provide a monthly benefit to your option beneficiary.

The career factor does not apply if you die before retirement without a preretirement election of an option on file at CalSTRS. For details, see [Benefit Enhancements in Section 6](#), Your Retirement Benefit.

NOTE

#### Effect of Preretirement Option Election

##### Member Chooses Preretirement Election of an Option

- Member retires at age 60
- 100% Option Beneficiary is also age 60
- Both member and option beneficiary were age 55 when preretirement option was chosen

Member-Only Benefit		\$ 1,963.89
Option Factor	x	.899
<b>Member's Reduced Benefit</b>		<b>= \$1,765.54</b>

##### Member Chooses an Option at Retirement

- Member retires at age 60
- 100% Option Beneficiary is also age 60

Member-Only Benefit		\$1,963.89
Option Factor	x	.867
<b>Member's Reduced Benefit</b>		<b>= \$1,702.69</b>

## Disadvantages of a Preretirement Election of an Option

If you cancel or change your preretirement election of an option before retiring, your retirement benefit may be reduced for life.

If your option beneficiary dies before you retire and you had elected an option, the election will be automatically canceled and your retirement benefit may be permanently reduced.

## Providing Signatures

Your spouse or registered domestic partner must sign the *Pre-Retirement Election of an Option* form or you must complete and return the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form with your preretirement election. If your spouse or partner does not sign the form or if we do not receive the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form, your preretirement election is not acceptable and will not be effective until the requirements are met.

### NOTE

The election will be effective on the date signed only if we receive the election form within 30 days of the date you sign it.

## Canceling an Existing Preretirement Election of an Option

You may cancel an existing preretirement election of an option at any time before retirement. A preretirement election of an option is canceled automatically if you elect a new option, elect a new option beneficiary or beneficiaries, or if your option beneficiary predeceases you.

If you cancel your preretirement election of an option, an assessment may apply and will be calculated at retirement. The assessment will reduce your monthly retirement benefit for life.

The factors in effect on the cancellation date of your preretirement election of an option will be used to calculate the assessment. The assessment factor is based on:

- The option selected.
- Amount of time the preretirement option was in effect.

- Your age at the time of election and cancellation.
- Whether you have Coverage A or Coverage B.
- Whether your option beneficiary is your spouse or registered domestic partner.

If you are considering canceling your preretirement election of an option, electing a different option, or naming a different option beneficiary or beneficiaries, you should meet with a CalSTRS benefits counselor to discuss the possible effects of that change on your retirement benefit.

Your spouse or partner must sign the cancellation of a preretirement election of an option or you must complete and return the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form with the request for cancellation. If your spouse or partner's signature is not provided or if we do not receive the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form, the cancellation is not acceptable and will not be effective until the requirements are met.

For more information regarding preretirement election of an option, visit [www.CalSTRS.com](http://www.CalSTRS.com).

## Date of Birth Verification

Under some circumstances, we will request verification of your birth date or your option beneficiary. Acceptable documentation for birth date verification includes:

- Clear, unaltered photocopies of a certified birth record.
- Copy of passport ID page.

If the name has been changed from the name shown on the record of birth, a copy of the marriage certificate or court order documenting the change is required. Please send clear, unaltered photocopies.

If you do not have any of these records, please contact us at 800-228-5433 for assistance.

## **Social Security**

### **How CalSTRS Benefits May Reduce Social Security Benefits**

CalSTRS members do not pay into Social Security. Therefore, if you expect to receive a Social Security benefit and a CalSTRS retirement or disability benefit, you need to know about two Social Security provisions that may reduce your Social Security benefit. They are the Windfall Elimination Provision and the Government Pension Offset. Your CalSTRS retirement benefit or Medicare benefit will not be reduced because of these provisions in the Social Security law. In addition, any CalSTRS benefits paid to a beneficiary do not affect Social Security benefits to which they may be entitled.

These provisions may affect you even if you have earned the minimum 40 Social Security credits through other employment or expect to receive a Social Security benefit based on a spouse's earnings.

You may receive an overstated benefit estimate from Social Security because non-Social Security pensions such as CalSTRS are not taken into account in the estimate. For a more accurate estimate of benefits, contact the Social Security Administration by calling 800-772-1213 or visiting [www.ssa.gov](http://www.ssa.gov).

### **Windfall Elimination Provision**

Under the Windfall Elimination Provision, Social Security uses a modified calculation if you qualify for both a Social Security benefit based on your own covered employment (that is, work for which you made FICA tax payments) and a CalSTRS retirement benefit.

Social Security benefits are based on your average monthly earnings over a 35-year period, adjusted for inflation. When Social Security determines your benefits, it separates your average earnings into three amounts and multiplies the amounts using three different factors. For example, if you turned 62 in 2008, the first \$711 of your average monthly earnings would be multiplied by 90 percent, the next \$3,577 would be multiplied by 32 percent, and the remainder by 15 percent.

If you are otherwise eligible for Social Security, the 90 percent factor is reduced to 40 percent. The exact amount of the reduction is based on your years of substantial earnings covered under Social Security and changes every year. In 2008, the maximum reduction in Social Security benefits under the Windfall Elimination Provision is \$355.50 per month.

If you meet the 40-credit requirement, you should apply for Social Security, even though the benefit may be reduced. You are exempt from the Windfall Elimination Provision if you were eligible to retire from CalSTRS before January 1, 1986, or if you have 30 or more years of substantial earnings under employment covered by Social Security. In 2008, substantial earnings are \$18,975 annually. With 21 to 29 years of substantial earnings, the 90 percent factor is reduced on a sliding scale beginning at 45 percent for 21 years up to 85 percent for 29 years.

### **Government Pension Offset**

The Government Pension Offset provision affects members expecting to receive a CalSTRS retirement benefit and a Social Security benefit as a spouse, former spouse, widow or widower. Under this provision, your Social Security benefit will be reduced by two-thirds of your CalSTRS retirement benefit. If two-thirds of your CalSTRS benefit exceeds the amount of your spousal benefit from Social Security, you will not receive a cash benefit from Social Security. If your Social Security spousal benefit is higher than two-thirds of your CalSTRS benefit amount, you will receive the difference. Beneficiaries who are not eligible for a Social Security benefit may be eligible for Medicare as a spouse, widow or widower even if they are not insured for Medicare on their own.

You are exempt from the Government Pension Offset if you were eligible for CalSTRS benefits between December 1982 and June 1983 and were entitled to the Social Security spousal benefit before December 1977.

### **For More Information on Social Security**

Due to the complexity of the formulas used in determining Social Security benefits and the many provisions and exceptions in Social

Security law, you should speak directly with a Social Security representative. Then you can determine if these provisions or exceptions apply to your individual situation.

To review or download publications on the Windfall Elimination Provision and the Government Pension Offset, contact the Social Security Administration at 800-772-1213 or visit [www.ssa.gov](http://www.ssa.gov). To access the online Windfall Elimination Provision calculator, go to [www.ssa.gov](http://www.ssa.gov) (select *Retirement*, then *Calculate Your Benefits*, then *Windfall Elimination Provision*).

Our Web site provides more information on Social Security history and how receiving a CalSTRS benefit affects receiving a Social Security benefit. Go to [www.CalSTRS.com](http://www.CalSTRS.com) (select *Members*, then *Social Security, CalSTRS and You*).

## Health Insurance

### Health Insurance Premium Deductions

CalSTRS does not provide health or dental insurance coverage. State law requires school districts, at a minimum, to offer retiring CalSTRS members the option to continue their medical and dental insurance at their own cost. Your health insurance premiums may be partially or fully paid by your school district after retirement, depending on your collective bargaining agreement. Benefits vary from district to district.

CalSTRS may deduct health insurance premiums from your monthly retirement benefit and forward the premium to your insurance carrier, if your carrier has an agreement with us. If you are interested in a health insurance deduction, contact your employer's Human Resources department. We will set up a deduction for you after your health insurance carrier submits the appropriate paperwork.

To request this optional deduction, complete the *Insurance Premium Deduction Authorization* form. You will find it online at [www.CalSTRS.com](http://www.CalSTRS.com) or request a copy by calling 800-228-5453.



### Medicare Eligibility

While California educators do not pay into Social Security, most do pay the Medicare tax at a rate of 1.45 percent of gross earnings. Therefore, you may be eligible for premium-free Part A Medicare coverage on your own or through your spouse's employment.

### Medicare Premium Payment Program

CalSTRS will, in most cases, pay the Medicare Part A premium if you are:

- Not eligible for premium-free Medicare Part A.
- Enrolled in both Medicare Part A and B.
- Retired or disabled. Eligibility for the Medicare Premium Payment Program varies based on your retirement date.
- Age 65 or older.
- Receiving a monthly CalSTRS retirement benefit from which any applicable Medicare Part A surcharges and Medicare Part B premiums can be deducted.

CalSTRS will mail a Medicare Premium Payment Program informational packet to retired members as they approach their 65th birthday.

As a convenience to you, we can also deduct Medicare Part B premiums from your monthly retirement benefit. See *Your Retirement Guide* or visit [www.CalSTRS.com](http://www.CalSTRS.com) (select *Members*, then *Medicare Premium Payment Program*) for more information.

The Teachers' Retirement Board has authorized CalSTRS to offer the Medicare Premium Payment Program to members who retire before July 1, 2012, and it has the authority to extend the program after that date. Information about an extension to the Medicare Premium Payment Program will be in our future publications and at [www.CalSTRS.com](http://www.CalSTRS.com).

### **CalPERS Long-Term Care Program**

CalPERS Long-Term Care Program provides personal care that you may need as a result of an accident, a chronic illness or a disabling disease such as Alzheimer's.

You and certain family members may be eligible for the CalPERS Long-Term Care Program. Eligible participants include CalSTRS active and retired members and Cash Balance Benefit Program participants. They also include participants' spouses, parents, parents-in-law and siblings (age 18 and older).

For more information and an enrollment kit, go to [www.calpers.ca.gov](http://www.calpers.ca.gov) or call 800-338-2244.

### **Reduced Workload Program**

The CalSTRS Reduced Workload Program allows eligible members to reduce their workload from full-time to part-time duties, defined as a minimum of 50 percent of full time, for up to 10 years—normally the last 10 years before retirement. The opportunity to participate is available only if your employer offers the program.

Both your and your employer's contributions will be paid based on the full-time earnable compensation, rather than your actual part-time salary earned while participating in the program. Therefore, your employer will be required to pay a higher contribution rate for you to participate.

Because contributions are based on the full-time earnable compensation, you will receive full-time service credit while working less than full time. At the time of retirement, your benefit will be calculated as if you continued to work full time, including determination of final compensation.

To be eligible for the program, you must be age 55 or older, have at least 10 years of credited service, and have been employed full time performing creditable service five consecutive years immediately before entering the program. The agreement to reduce your workload must be in effect at the beginning of the school year.

The consequences can be significant for failing to work at least 50 percent as required by the Reduced Workload Program. If you do not work at least one-half of the time your employer requires for full time, service credit for the year will be calculated on actual time worked.

For example, a member who was employed 50 percent of full time had her pay docked because she became ill and ran out of sick leave. Consequently, she failed to perform creditable service for at least 50 percent of full time that year. Therefore, for that year, she would not be eligible to participate in the Reduced Workload Program. She would earn service credit for only the time worked.

After discussing the Reduced Workload Program with your employer and reviewing your qualifications, you must enter into a contractual agreement with your employer to participate in the program for the entire school year.

If you retire before the end of the school year, your contract under the Reduced Workload Program will be revoked, and you will receive credit only for the part-time service you actually performed.

### **Retiring From Other Public Retirement Systems**

If you are a Defined Benefit Program member at least age 55 and eligible to retire from certain other California public retirement systems, you may retire with fewer than five years of CalSTRS service credit if you retire concurrently from both systems. For details, see [Section 6](#), Your Retirement Benefit.