

Glossary

A

Age Factor

The 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 0.01 (one one-hundredth) of 1 percent for each month or fraction of a month in which you are under 60 but at least 55. If you are seeking early retirement and are age 50, but under age 55, the factor is further reduced by one-quarter of 1 percent for each month or partial month under age 55. If you are 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 older.

Air Time

See [nonqualified service credit](#).

Annual Benefit Adjustment

An automatic annual increase to your monthly benefit, starting September 1 after the first anniversary of your effective date of the benefit, calculated at 2 percent of your initial benefit. It is not compounded or linked to inflation.

Annuity

Member-Only Defined Benefit Supplement or Participant-Only Cash Balance Annuity: A lifetime monthly payment. Any balance remaining upon your death will be paid to your one-time death benefit recipient or recipients.

100% Beneficiary 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.

75% Beneficiary 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: 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.

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 after your death. Only a person (not an estate, trust or corporation) may be designated to receive an option benefit upon your death.

Benefit

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

Benefit Formula (Service Retirement)

For the Member-Only Benefit, the formula is: Service Credit X Age Factor X 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

CalSTRS Pension2® Personal Wealth Plan

A supplemental savings program with both pre-tax and post-tax plans that complement the CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs.

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 you die before retirement without a preretirement election of an option on file at CalSTRS.

Cash Balance Benefit Program

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.

Client ID

A randomly generated identification number assigned by CalSTRS to protect your 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, California 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 as the CalSTRS service.

County Employees' Retirement Law of 1937

The 1937 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 offered on or before October 15, 1992. Coverage A is mandatory for all members of the Defined Benefit 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 Benefit 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 everyone in the same class of employees and is paid to an employee for performing credible 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 an employer in a position requiring a credential, certificate or permit, or under minimum standards adopted by the Board of Governors of the California Community Colleges.

Credited Interest Rate

At the end of each fiscal year, interest is credited to the accumulated Defined Benefit 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. From January 1, 2001, through 2010, funds come from 25 percent of each member's monthly

CalSTRS contribution. Starting July 1, 2002, funds also come from compensation earned from service in one school year in excess of one year of service credit.

Defined Contribution Benefit or Plan

A retirement benefit or plan 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 benefit 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 accommodations 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 member 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 from employment in a month or year without a reduction in the CalSTRS benefit.

Eligible Dependent Child

Coverage A: A member's unmarried (or unregistered domestic partner) offspring, adopted child or stepchild under 22 years of age who is financially dependent on 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 dependent children after the member's death. The maximum amount is 90 percent of the member's final compensation; 40 percent for the spouse or partner and 10 percent for each eligible dependent 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 Defined Benefit members and Cash Balance Benefit Program participants to apply for conventional, fixed-rate and first-mortgage loans to purchase or refinance primary residences (CalSTRS Home Loan Program).

I

Indexed Final Compensation

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

Indexed Final Compensation Factors

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

L

Longevity Bonus

An increase to the monthly retirement benefit paid to members 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 creditable compensation for that service and has not received a refund for that service, unless specifically excluded by law.

Active Member: A member who is not retired or disabled and who earns creditable compensation during the school year.

Inactive Member: A member who is not retired or disabled and who has not earned creditable compensation during the current or preceding school year.

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

Retired Member: A member who has terminated employment and has retired from (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 or a disability benefit.

Member-Only Benefit

The highest monthly benefit payable to a member retired from (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 paid to the death benefit recipients after a member dies.

Option

Plan feature that allows members to distribute their retirement benefit over their lifetime and the lifetime of other people.

100% Beneficiary Option: 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 Benefit level.

75% Beneficiary Option: 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 Benefit level.

50% Beneficiary Option: 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 Benefit level.

Compound Option: 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.

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 before the member reaches age 18 or marries, 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 or family allowance benefit under Coverage A, increased by 2 percent, compounded annually, to the earlier of age 60 or the date the disability benefit is terminated.

Projected Service

Credited service plus the service that would have been earned to age 60 (or termination of the disability benefit, 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 benefit began to accrue under Coverage A.

Q

Quick Topics

Online answers at www.CalSTRS.com to members' most common questions.

R

Recipient

The beneficiary named by a member to receive the member's 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 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

A registered domestic partner has many of the same rights and responsibilities as a spouse 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 and terminating a CalSTRS benefit, such as a retired educator returning to the classroom in a credentialed position.

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 Incentive Program

A program provided by employers that would increase the service credit used in calculating the CalSTRS service retirement benefit. This program allows Defined Benefit members who are eligible to retire to receive two years of service credit.

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.

Retirement Progress Report

Each year, CalSTRS provides a *Retirement Progress Report* to active and inactive members. That report includes, as of the previous June 30:

- A summary of Defined Benefit and Defined Benefit Supplement program transactions during the prior year
- Service credit
- Contribution and interest balances
- Key provisions of the CalSTRS Defined Benefit and Defined Benefit Supplement programs
- Death benefit recipient information

CalSTRS also provides a *Retirement Progress Report* for participants of the Cash Balance Benefit 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.

Service Retirement Pending

Disability Eligibility

If you are applying for a disability benefit, you may be eligible to receive a service retirement benefit while your application for disability benefits is being evaluated. This will enable you to receive monthly retirement income while your Application for Disability Benefits is being evaluated.

Single-Month Earnings Limit

(Disability Allowance, Coverage A)

The amount a disabled member may earn in any month without a reduction in the disability benefit. The member's disability benefit 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 average earnings and disability benefit over any continuous six-month period are compared to two-thirds of the indexed final compensation. If the member exceeds this limit, the disability benefit can be terminated.

Subrogation

A process that permits CalSTRS to participate in an action to recoup benefits paid, 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 up to 85 percent.

Surviving Spouse or Registered Domestic Partner

A person who was one of the following:

- Married to a member or the registered domestic partner of a member for at least 12 months prior to the member's death.
- Married or a partner to a member fewer than 12 months if a child was born during the marriage or partnership or if the surviving spouse or partner is pregnant with the member's child.
- 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 before the occurrence of the injury or diagnosis of the illness that resulted in the member's death.

V

Vested Member

A member of the CalSTRS Defined Benefit Program with five years of credited service or eligible to retire concurrent with another public retirement system.

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