



California State Teachers'  
Retirement System

**CALSTRS**  
HOW WILL YOU SPEND YOUR FUTURE?

# Welcome to CalSTRS

BENEFITS AND SERVICES FOR FULL-TIME  
AND PART-TIME EDUCATORS

2004

## CalSTRS

The California State Teachers' Retirement System has more than 553,000 active and inactive members and disburses monthly benefits to more than 182,000 retired or disabled members and their survivors.

Your retirement system, established in 1913 for California public school educators, has a long history of financial security. CalSTRS is administered by the 12-member Teachers' Retirement Board, which includes representatives from K-12 and community college education, retired members, the banking industry and the public.

*The information here is correct as of August 2004. If there is any difference between it and the Teachers' Retirement Law, the law takes precedence.*



# Welcome to CalSTRS

Throughout your career in California's public school system, and in the years to follow, you and your dependents will be eligible for valuable CalSTRS services and benefits. Many of your questions about those services and benefits will be answered here.

## Basics for Full-Time and Part-Time Educators

Whether you are a full or part-time educator, the California State Teachers' Retirement System provides you benefits and services. This guide outlines the essential benefits in the CalSTRS Defined Benefit and Cash Balance Benefit programs.

Membership in the Defined Benefit program is required for full-time educators.

For part-time educators, mandatory Defined Benefit Program membership requirements vary, depending upon an individual's employment status and whether or not the CalSTRS Cash Balance Benefit Program is offered by the employer to their

part-time employees. You may choose to become a Defined Benefit Program member at any time in your career. Your employer must offer you the CalSTRS Defined Benefit Program and an alternative program if you are not required to belong to the DB Program. Districts may offer one or more alternative programs such as CalSTRS Cash Balance Benefit Program, Social Security or another program.

Here, we've outlined some basics about the CalSTRS Cash Balance Benefit Program. For information about alternative programs, please see your employer.

This is a general guide; for more detailed information on the Defined Benefit and Cash Balance Benefit programs, see the *Member Handbook (2004)*, which you can get from your employer. You may also order it from [www.calstrs.com](http://www.calstrs.com) or by calling 800-228-5453. In addition, visit our Web site for a wealth of information about CalSTRS programs, benefits and services, and links to other resources.

## Defined Benefit Program

### ***My retirement is a “defined benefit” program. What is that?***

A defined benefit program guarantees a lifetime benefit to you (and to your survivors, if you choose), regardless of the amount of funds you have contributed to your account.

### ***Am I required to belong to the CalSTRS Defined Benefit Program?***

Yes, if you are a full-time California public school K–12 teacher or community college instructor. Some part-time and substitute educators are required to belong to the Defined Benefit Program depending upon their individual employment status and whether or not the CalSTRS Cash Balance Benefit Program is offered by their employer.

### ***How much do I pay into the DB Program?***

Eight percent of your salary is automatically withheld from your paycheck. Your employer contributes an amount equal to 8.25 percent of your salary to help pay benefits.

### ***What is a Defined Benefit Supplement Account?***

One-fourth of your CalSTRS payroll contributions will be allocated to your DBS account through 2010. In addition, if you earn more than one year of service credit in a school year, your contributions and most of the employer contributions from your earnings in excess of one year will be allocated to your DBS account. Your funds will earn interest and be available to you when you begin to take a Defined Benefit monthly benefit or one year after you terminate CalSTRS-covered employment. You can receive your funds in a lump sum or in a monthly payment if you are receiving a monthly Defined Benefit payment and have at least \$3,500 in your DBS account.

### ***When will I be eligible for retirement benefits?***

This eligibility, known as vesting, occurs when you have five years of service credit. You can retire as early as age 50 if you have at least 30 years of service credit. You can retire at age 55 with five years of service credit.

### ***How do I know how much I’ll receive when I retire?***

Your Defined Benefit retirement benefit is determined by a formula set by law; it’s based on your age at retirement, highest average annual salary and amount of service credit. Your monthly Defined Benefit retirement benefit does not depend on your accumulated contributions. For example, a teacher who is 61 years old and has 29 years of service credit will receive 62 percent of his or her working salary in retirement.

To estimate your benefit, visit [www.calstrs.com](http://www.calstrs.com) and click on *Calculators*. In addition, starting at age 45, you will be mailed an annual estimate of your projected DB and DBS retirement benefit.

### ***How will I know how much is in my retirement account?***

CalSTRS sends you an *Annual Statement of Account* that shows your Defined Benefit contributions, interest accrued and total service credit. This statement will also show how much is in your Defined Benefit Supplement account. If you see a discrepancy between this statement and your records, talk to your employer right away.

***A defined benefit program guarantees a lifetime benefit***



**As soon as you are hired, complete a One-Time Death Benefit Recipient form**

**Are there other ways to add service credit?**

Yes. You may buy service credit for some types of service in out-of-state public schools, the military, Red Cross or Job Corps, maternity or paternity leave and certain other teaching jobs. In addition, once you have at least five years of CalSTRS service credit, you may buy up to five years of nonqualified service credit, also called “air time.”

**Am I entitled to disability benefits?**

Yes. In general, once you are vested and meet the eligibility requirements, disability benefits will be half your highest average annual salary for life or as long as you are disabled, plus another 10 percent for each eligible child (up to a total of 90 percent) until the child reaches age 21.

**Will CalSTRS pay benefits to my survivors?**

Yes. Depending on your amount of service credit and if you die before or after retirement, your survivor could receive a refund of the balance in your retirement account, a one-time amount and/or a monthly benefit.

As soon as you are hired, complete the *One-Time Death Benefit Recipient* form provided by your employer. You can also print this form from [www.calstrs.com](http://www.calstrs.com) or call us to order it at 800-228-5453. Remember to update this recipient designation if your choice of recipient changes during your career. In addition to the *recipient*, you can select an *option beneficiary* when you are eligible to retire. The option beneficiary will receive a lifetime benefit when you die. Your recipient and your option beneficiary do not have to be the same person.

**If I leave teaching, can I keep my contributions in CalSTRS?**

Yes. This is especially valuable if you might return to teaching later or if you already have at least five years of service credit. If you return to teaching, it will be expensive to recover service credit if you had a refund of your CalSTRS account. Even if you do not return to teaching, if you have at least five years of service credit, you will receive a lifetime monthly benefit from CalSTRS when you retire.

**If I leave teaching, can I withdraw my contributions?**

If you leave teaching you can withdraw your own contributions and interest (partial refunds are not allowed). However, you terminate your CalSTRS membership and benefit eligibility. Please consider this carefully. It is expensive if you later resume teaching and want to recover this service credit. You cannot withdraw employer contributions.

See more Defined Benefit Program information on page 6.

## Cash Balance Benefit Program

### **What is the Cash Balance Benefit Program?**

It is CalSTRS' alternative retirement program for part-time educators that employers may choose to offer.

### **When will I be vested?**

You are immediately vested. You don't have to wait to become eligible for benefits.

### **How much must my employer and I contribute?**

Your employer must contribute at least 4 percent of the salary you earn. You usually pay 4 percent. However, your contribution rate may be bargained with your employer.

### **Is the interest rate guaranteed?**

Yes. It is set by the Teachers' Retirement Board based on the 30-year Treasury rate. The interest rate for the 2004-2005 fiscal year is 5 percent.

### **How do I know how much I have in my account?**

You will receive an annual statement showing the balances of your contributions, your employers' contributions and interest credited to your account.

### **Am I entitled to disability benefits?**

Yes. Normal distribution is a lump-sum benefit. This amount is the sum of your contributions, interest and additional credits in your and your employer accounts. (Please see the *Choose a First-Class Plan for Your Future* brochure for details about additional credit.) If you have at least \$3,500 in your account, you may elect to receive a monthly benefit.

### **Will CalSTRS pay benefits to my survivors?**

Yes. Normal distribution is a lump-sum benefit, which consists of your and your employer's contributions, interest and

additional credits (see above). This amount is paid to your named beneficiary. If you have at least \$3,500 in your account, your named beneficiary may choose to receive a monthly benefit.

### **Can I continue with CB if I move to another district or become a member of the Defined Benefit Program?**

In most cases, you can continue as a CB participant if you move to another district that offers the program and continue part-time employment. If you become a member of DB and are no longer contributing to CB, you may transfer your CB funds into the Defined Benefit Program and receive DB credit for your Cash Balance service.

### **What are my options if I leave public school employment?**

You have three options:

- Leave your contributions in your account or
- Roll over your CB funds to another eligible retirement plan or an IRA or
- Withdraw your and your employer's contributions, plus interest. For this option, you must wait one year from the date you terminate your employment. You may be subject to an early distribution tax in addition to normal income tax.

### **What happens when I retire?**

- If you have less than \$3,500 in your account, you can take your and your employer's contribution, plus interest, in a lump sum or
- If you have more than \$3,500 in your account, you can choose to receive a monthly benefit over a specific period of time or over your lifetime and, under some circumstances, the lifetime of a beneficiary.

**You don't have to wait to become eligible for benefits**

## Your CalSTRS Extras

### CalSTRS Web Site

[www.calstrs.com](http://www.calstrs.com) and *myCalSTRS*

Find much more information about CalSTRS, including details of programs and benefits, news on legislation that could affect CalSTRS and several benefits calculators.

By registering at *myCalSTRS* at [www.calstrs.com](http://www.calstrs.com), you can update your address and phone number and view your *Annual Statement of Account*, one-time death benefit recipient and optional beneficiary and tax withholding information. You can also send and receive confidential information about your account.

### CalSTRS Home Loan Program

Members looking for a fixed-rate, first-mortgage home loan will want to check out this program. Several loan options are available for a conventional home purchase or refinance loan. See [www.calstrs.com](http://www.calstrs.com) for current interest rates and approved lenders or call 866-384-4457.

### Voluntary Investment Program

If your district participates in this 403(b) program, you can set aside even more retirement funds through tax-deferred savings. The Teachers' Retirement Board oversees the VIP's competitively priced services and investment options. For more information, visit [www.calstrs.com](http://www.calstrs.com) or call 800-699-4032.

### CalSTRS Connections

We send you our twice-a-year newsletter containing topics of interest to educators, including news on your benefits.

### Financial Education Workshops

You can attend regional workshops for basic, unbiased financial planning information for your teaching years and retirement. Call 888-394-2060 for information.

### Benefits Counselors

CalSTRS-trained counselors can help you plan for retirement. They provide retirement and disability benefit estimates, as well as information about CalSTRS benefits program. Counselors are available throughout the state at a one-on-one interview, workshop or over the phone. To find a benefits counselor near you, visit [www.calstrs.com](http://www.calstrs.com) and click on *Members*, then *Counseling/Workshops* or call 800-228-5453.

### Member Services

Representatives are available to answer your telephone and written questions weekdays from 8am to 5pm.



## Defined Benefit Program and Cash Balance Program

### What about Social Security payments?

You do not pay into Social Security on your public school employment earnings. However, if you or your spouse otherwise qualifies for Social Security, that monthly check may be reduced because of the federal Windfall Elimination Provision or Government Pension Offset. For more information, contact the Social Security Administration at [www.ssa.gov](http://www.ssa.gov) or call 800-772-1213. Your CalSTRS benefit will not be reduced if you receive Social Security.

### What about Medicare?

You and your employer each pay 1.45 percent of your wages toward Medicare coverage.

### Does CalSTRS provide health benefits after retirement?

No. Health benefits depend on your district's agreement with your employee-bargaining unit. Ask your employer.

### Does CalSTRS assist me in retirement financial planning?

To help you develop a plan to build wealth for your future, CalSTRS offers financial education workshops. To register, visit [www.calstrs.com](http://www.calstrs.com) or call 888-394-2060.

### Can I save in a tax-deferred plan through payroll deduction with CalSTRS?

Most employees are eligible to participate in the CalSTRS Voluntary Investment Program, a 403(b) program that offers 12 well-diversified investment options and free retirement financial planning advice. To order a CalSTRS VIP brochure, visit [www.calstrs.com](http://www.calstrs.com) or call 800-699-4032.

## Part-Time Educators... Choosing Between the Defined Benefit Program and an Alternative Retirement Program

As a part-time or adjunct employee, you 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.

### **How can I pick the plan that works best for me?**

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

- Plan to work as an educator in California long enough to earn a benefit. (Called vesting, this occurs after you have five years of service credit with CalSTRS. 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, one with benefits based on a set formula and not on the monies in your account.
- Are comfortable contributing 8 percent of your pay towards your retirement (this rate is matched by your employer).

#### **You may want to choose the Cash Balance Benefit Program if 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).

#### **If your employer offers an alternative program (other than the Cash Balance Benefit Program) ask yourself:**

- Does the plan offer a monthly benefit for life or is it a non-lifetime benefit based on contributions and interest?
- What is the contribution rate? Is it matched by my employer?
- Is there a vesting requirement?
- Does the program charge administrative fees? (Neither CalSTRS program charges administrative fees.)
- Is there a guaranteed annual interest rate?
- Does the plan have a record of sound investment plan experience?
- How long do you have to wait to receive your funds?

#### **For More Information**

The available alternative programs vary widely by district, so we cannot describe every one. Check with your employer or the Social Security Administration to find out specifics on the benefits offered.

For detailed information about part-time educators and the CalSTRS Defined Benefit Program, see the *Member Handbook (2004)*, Section 8. For information about the *Cash Balance Benefit Program*, see the *Cash Balance Benefit Program: Choose a First-Class Plan for Your Future* (There are K-12 teachers and adjunct faculty versions.) These publications are available from your district. You can view or order them from [www.calstrs.com](http://www.calstrs.com) or order at 800-228-5453.

For more information about Social Security, visit [www.ssa.gov](http://www.ssa.gov) or call 800-772-1213.

**As a part-time or adjunct employee, you have a choice of retirement programs**

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**How to Contact CalSTRS**

- E-mail**    [www.calstrs.com](http://www.calstrs.com)  
Click *Contact Us* to e-mail
- Write**     CalSTRS  
P.O. Box 15275  
Sacramento, CA 95851-0275
- Call**      800-228-5453  
TTY 916-229-3541  
866-384-4457  
Home Loan Program  
888-394-2060  
CalSTRS Workshops  
800-699-4032  
Voluntary Investment Program
- Visit**     Member Services  
7919 Folsom Blvd.  
Sacramento, CA 95826
- Fax**       916-229-3879



Welcome to your  
retirement system—  
**CalSTRS**

We are your partner in building  
your secure financial future.

Open to learn about benefits and services  
designed to support you throughout  
your education career.