

## 2. Your Membership and Benefits

**W**hether you are a full-time or part-time educator, the California State Teachers' Retirement System provides benefits and services to help you build a strong, stable financial future.

This section includes an explanation of your membership and the basic benefits in the Defined Benefit Program. It also describes the Defined Benefit Supplement Program. These programs are two of three components that can help you achieve the lifestyle you desire at the end of your working career. The third component is your own supplemental retirement savings, such as a 403(b) tax-deferred savings plan. CalSTRS offers such a plan, CalSTRS Pension2, which you can read about in [Section 4](#), Building Your Financial Future.

[Section 3](#) explains the Cash Balance Benefit Program, an alternative retirement plan for part-time educators.

### **Membership in the CalSTRS Defined Benefit Program**

If you are a classroom teacher or are performing other activities that are creditable service, you may be a CalSTRS Defined Benefit Program member as mandated by law or you may be eligible to elect membership.

The CalSTRS Defined Benefit Program is available to employees of the California public school system, prekindergarten through community college, in positions that require them to:

- Have a credential, certificate or permit, or
- Meet the minimum standards adopted by the Board of Governors of the California Community Colleges.

Charter school employees performing creditable service in a charter school that is eligible to receive state apportionment are subject to coverage only if the charter of the school



provides for participation in the CalSTRS Defined Benefit Program.

Only activities identified as creditable service are subject to Defined Benefit Program coverage; that is, count toward years of service for CalSTRS retirement purposes. These activities include teaching, vocational or guidance counseling, services related to school curriculum and a variety of administrative duties.

### **Mandatory Membership**

If you are employed to perform creditable service on a full-time basis, you will automatically become a Defined Benefit Program member on the first day of employment.

“Full time” is defined as the days or hours of creditable service the employer requires a class of employees to work in a school year in order to receive earnable compensation. For example, under a collective bargaining or employment agreement, an employer might require high school guidance counselors to work a specific number of days each school year. Therefore, guidance counselors would constitute a class of employees. For more information about what constitutes full time or a class of employees, see the [glossary](#).

Many teachers and others who perform creditable service are not hired to work full time. For those educators hired to work on a part-time, substitute or hourly basis, CalSTRS offers an alternative retirement plan called the Cash Balance Benefit Program. However, providing the program is optional for employers.

Mandatory Defined Benefit Program membership requirements vary, depending on an individual's employment status and whether the employer offers the Cash Balance Benefit Program to their part-time employees.

For details on the Cash Balance Benefit Program and part-time educators, [see Section 3](#), Benefits for Part-Time Educators.

### Benefit Eligibility

You will be eligible for a lifetime retirement benefit when you have accumulated five years of service credit under the Defined Benefit Program. 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.

To learn more about eligibility requirements for disability and survivor benefits for active members, [see Section 8](#), Disability Benefits, and [Section 9](#), Survivor Benefits.

### Calculating Your Defined Benefit Retirement

The formula for calculating the Member-Only Defined Benefit retirement includes three elements: service credit, age factor and final compensation. For details on calculating your Defined Benefit, [see Section 6](#), Your Retirement Benefit.

$$\text{Service Credit} \times \text{Age Factor} \times \text{Final Compensation} = \text{Member-Only Retirement Benefit}$$

### Membership for Part-Time Employees

As long as your basis of employment remains part time, substitute or temporary, you have the choice of participating either in the Defined Benefit Program or the Cash Balance Benefit Program—if you are employed in a district that offers the Cash Balance Benefit Program. If you choose the Cash Balance Benefit Program and your basis of employment changes, you may automatically become a member of the Defined Benefit Program (see charts below for noted exceptions). For details on benefits for part-time employees, [see Section 3](#), Benefits for Part-Time Educators.

#### Membership When Cash Balance Is Offered

In school districts, county offices of education and community college districts that offer the Cash Balance Benefit Program, the following mandatory Defined Benefit Program membership requirements apply:

Employment Status	Mandatory Defined Benefit Membership Begins
PreK-12 or county office of education on a part-time, hourly or daily basis or contracted for more than 50 percent of full-time position	First day of the pay period following employment to perform creditable service for 50 percent or more of the full-time position.
Community college district hired on a part-time basis	First day of the pay period following employment to perform creditable service. Mandatory Defined Benefit membership does not apply to temporary employees of adult education or community college districts.

### Part-Time or Substitute Employees Electing Defined Benefit Program Membership

Anyone who performs creditable service in the California public school system is eligible to elect membership in the CalSTRS Defined Benefit Program.

If you are hired as a substitute or part time and your basis of employment does not qualify you for mandatory membership, you may elect to become a member of the Defined Benefit Program. Your employer must formally notify you of your right to elect membership in the program within 30 days of hire.

You can elect membership only during a pay period in which you actually performed creditable service, and you must elect membership on the appropriate form provided by your employer. The effective date of membership is the first day of the pay period in which the election is made.

### Contributions to Defined Benefit and Defined Benefit Supplement Programs

#### Your Contributions

As a member of the Defined Benefit Program, you contribute 8 percent of your creditable compensation as required by the Teachers' Retirement Law. Your employer can pay all or a portion of your contributions.

Your contributions are withheld from your creditable compensation by payroll deduction and credited to the Defined Benefit and Defined Benefit Supplement programs. For details on your Defined Benefit Supplement account, [see Defined Benefit Supplement Program](#) later in this section.

#### Employer Pick-Up of Contributions

Most employers participate in the Employer Pick-Up Program under a provision of the Internal Revenue Code section 414(h)(2). Under this provision, your contributions to CalSTRS are picked-up by your employer for the sole purpose of deferring income taxes on that portion of your compensation. Your contributions must be deducted from your compensation and are considered creditable compensation for retirement purposes.

Your tax-deferred contributions are credited to your Defined Benefit Program balance as "Employer-Paid Member Contributions." The contributions are taxable when returned to you or your beneficiaries in a lump sum or monthly benefit. For more information on taxes, [see Section 10, Tax Information and Legal Matters](#).

### Membership When Cash Balance Is Not Offered

In school districts, county offices of education and community colleges that do not offer the Cash Balance Program, the following mandatory Defined Benefit Program membership requirements apply:

Employment Status	Mandatory Defined Benefit Membership Begins
PreK-12/county office of education—part-time hourly	First day of the pay period following the pay period in which at least 60 hours of creditable service was performed.
PreK-12/county office of education—part-time daily	First day of the pay period following the pay period in which 10 days of creditable service was performed.
PreK-12/superintendent's office/ community college district substitute	Same as above except for 100 or more complete days in which creditable service was performed during the school year.
Community college district hired on a part-time basis	First day of the pay period following employment to perform creditable service. Mandatory Defined Benefit membership does not apply to temporary employees of adult education or community college districts.



### **Employer Contributions**

As a Defined Benefit Program member, your employing school district, community college district, participating charter school or county office of education contributes to CalSTRS an amount equal to 8.25 percent of your creditable compensation. Your employer's contributions are not credited to your Defined Benefit balance on account but are deposited in the Teachers' Retirement Fund to help fund the benefits payable to all members and their beneficiaries.

### **State Contributions**

Currently, the state of California contributes 2.017 percent of your creditable earnings from the fiscal year ending in the prior calendar year. Additionally, the state contributes an amount equal to about 2.5 percent of the total creditable compensation paid to all CalSTRS Defined Benefit Program members during the fiscal year ending in the prior calendar year for the Supplemental Benefit Maintenance Account. This account is used to maintain the purchasing power of benefits at prescribed levels.

### **How Interest is Credited to Your Accounts**

At the end of each fiscal year, interest is credited to your accumulated contributions and interest in your Defined Benefit and Defined Benefit Supplement accounts at the credited

interest rate. The credited interest rates are adopted annually by the Teachers' Retirement Board. For the Defined Benefit Program, the current rate approximates the yield on two-year Treasury notes; for the Defined Benefit Supplement Program, the current rate approximates the 30-year Treasury rate. The rates through June 2009, compounded daily, are 4 percent for the Defined Benefit Program and 5 percent for the Defined Benefit Supplement Program.

### **Defined Benefit Program Balance**

Interest is credited to your Defined Benefit Program balance on account primarily to provide a lump-sum benefit to you if you terminate all creditable service and withdraw your portion of contributions or to your beneficiaries if you die without survivors who are eligible for monthly benefits.

As a Defined Benefit Program member, your retirement benefit will be calculated using a formula established by law based on your age, years of service credit and final compensation. The amount of total contributions and interest credited to you are not used to calculate either your or your beneficiary's future monthly benefit. This is a lifetime benefit regardless of the amount of your contributions.

### **Defined Benefit Supplement Account**

The credited interest rate for the Defined Benefit Supplement Program is not necessarily the same as for the Defined Benefit Program. The rate cannot be less than the rate for the Defined Benefit account. The interest is included in the amount payable to you.

### **Borrowing Against Your Accounts**

State law does not permit you to borrow against the accumulated contributions and interest in your CalSTRS accounts.

### **Your Retirement Progress Report**

Every year you will receive a *Retirement Progress Report* that contains your annual statements for your Defined Benefit and Defined Benefit Supplement accounts and a retirement planning guide. Cash Balance Benefit Program participants also receive a *Retirement Progress Report*. Your *Retirement Progress Report* is one of your most important CalSTRS records. You should review it carefully and save it with your important records.

Your *Retirement Progress Report* is usually mailed to you in mid-December. It gives your account status as of June 30 of that school year.

The report is sent to your mailing address on file with CalSTRS. You can update your mailing address through your employer or online at *myCalSTRS*. In addition to current members, *Retirement Progress Reports* are also sent to inactive members who have contributions and interest remaining on account in the Defined Benefit Program, but who did not perform creditable service during the prior school year.

You can also view and print your Defined Benefit and Defined Benefit Supplement statements online. Go to [www.CalSTRS.com](http://www.CalSTRS.com) and log in or register to use *myCalSTRS*. You can also call us at 800-228-5453 to request a statement or your report.

#### **NOTE**

Retired members and benefit recipients do not receive a *Retirement Progress Report*.

### **What's on Your Retirement Progress Report**

Your personalized report includes:

- Beginning balances of your service credit and contributions and interest credited on your contributions as of July 1 of the previous school year.
- Ending balances of your service credit and contributions and interest earned on your contributions as of June 30 of the just-completed school year.
- Information about the just-completed school year, July 1 through June 30, which also includes:
  - » Interest credited on your accumulated contributions.
  - » Service credit you earned.
  - » Contributions credited to the Defined Benefit and Defined Benefit Supplement programs.

The service credit shown on your *Retirement Progress Report* is based on the creditable compensation earned and annual earnable compensation for the full-time position as reported by your employer to CalSTRS. Your contributions are the contributions your employer reported to CalSTRS.

If you believe there is a discrepancy on your *Retirement Progress Report*, contact your employer.

Adjustments made to service credit and contribution information after June 30 will be included on your next *Retirement Progress Report*. If you have purchased additional service credit or redeposited contributions that were previously refunded, the changes will first appear on your report for the school year during which the final payment was made.

In addition to your Defined Benefit and Defined Benefit Supplement account balance updates, your *Retirement Progress Report* provides:

- An explanation of your disability and survivor benefit programs, Coverage A or Coverage B.
- The name of your one-time death benefit recipient or recipients.
- The name of your option beneficiary or beneficiaries.

- Two estimates of your retirement benefit, if you are age 45 or older, based on when you are first eligible to retire and an additional projected retirement date.

## Disability and Survivor Benefits

### What if You Become Disabled?

As a member of the Defined Benefit Program, you have disability protection under one of the CalSTRS disability benefit programs, Coverage A or Coverage B. Once you are vested and meet the eligibility requirements, and you have a medically determinable physical or mental impairment that prevents you from performing your usual job or comparable duties, you may apply for disability benefits. Your impairment must be expected to last at least 12 continuous months. For details, [see Section 8](#), Disability Benefits.

#### NOTE

If you are the victim of an unlawful act on the job, you may qualify for disability benefits with one year of service credit. Contact us for more information.

### What Happens if You Die?

The Defined Benefit Program provides benefits to your survivors when you die either before or after retirement. Your survivors may be eligible to receive either a lump-sum payment or monthly benefits with additional benefits for eligible dependent children. These benefits provide a basic level of security for your survivors. The benefits depend on the options you choose and whether you have Coverage A, Family Allowance, or Coverage B, Survivor Benefit. Therefore, it is important to keep a valid and current *One-Time-Death Benefit Recipient* form on file at CalSTRS. For details, [see Section 9](#), Survivor Benefits.

### Less than One Year of Service Credit

If you have earned less than one year of service credit at the time of your death, a refund of your accumulated contributions plus interest is paid to your death benefit recipients or to your spouse or registered domestic partner, if appropriate.

### One or More Years of Service Credit

If you have earned one or more years of service credit at the time of your death, your named death benefit recipients may be eligible to receive a one-time death benefit in addition to the refund of the accumulated contributions and interest.

### One-Time Death Benefit

A one-time death benefit is payable to your designated recipients under both disability and survivor benefits, Coverage A and B, if eligibility requirements are met. The amount of the benefit depends on your coverage and whether death occurs before or after retirement. If you do not name a recipient, your estate will receive the one-time death benefit. For more information, [see Section 9](#), Survivor Benefits.

For information on how dissolution of marriage or termination of a registered domestic partnership may affect your one-time death benefit recipient designation, [see Section 10](#), Tax Information and Legal Matters.

## If You Terminate Your CalSTRS-Covered Employment

Termination of CalSTRS-covered employment and a subsequent refund of your accumulated contributions plus interest cancel your eligibility for monthly benefits from CalSTRS.

### Survivor or Disability Benefits

Termination of CalSTRS-covered employment for four consecutive months or more may eliminate your eligibility for survivor or disability benefits. This time limit does not apply to eligibility for service retirement.

### Exceptions to the Four-Month Limit

The four-month limit does not apply if you die during an approved leave of absence of up to 12 months for a reason other than disability or military service.

If eligible, you may receive a one-time death benefit and/or a monthly benefit under the following circumstances:

- For Coverage A only, if medical reports show that you became incapacitated within four months of your last day of service and remained continuously incapacitated to the date of your death.
- If you were receiving a disability benefit under Coverage A.
- If you change positions and subsequently elect membership in the California Public Employees' Retirement System, you retain vested rights to CalSTRS disability and survivor benefits until you qualify for similar benefits in CalPERS.

## Refunding Your CalSTRS Contributions

### Defined Benefit Account

Your Defined Benefit Program contributions, plus interest, are refundable when you terminate all employment to perform creditable service in any California public school.

After receiving your completed refund application, CalSTRS will refund all of your Defined Benefit member contributions, including tax-deferred member contributions under the Employer Pick-Up Program, plus credited interest on your money. Partial refunds are not permitted. Employer and state contributions are not refundable.

It is important to note that a refund of your contributions will terminate your CalSTRS membership and you will not be eligible for any benefits from CalSTRS, including a lifetime monthly retirement benefit.

### Defined Benefit Supplement Account

If, after termination of employment, you have not performed creditable service, including substitute teaching, for six months and you received a refund of your Defined Benefit contributions and interest, CalSTRS will refund your Defined Benefit Supplement account after you respond to correspondence from us regarding the payout. If you return to CalSTRS-covered employment, you cannot redeposit your Defined Benefit Supplement funds, and only one withdrawal will be allowed in a five-year period.

## Consider a Refund Carefully

If you have fewer than five years of service credit and do not plan to return to teaching, and you are not eligible for retirement with any of the California public systems listed under Retiring From More Than One Public Retirement System in [Section 6](#), you may wish to consider a refund. However, if you are a career teacher with substantial service credit, or you are eligible for retirement with another California public system and are approaching age 55, we highly recommend you learn more about the consequences of taking a refund.

## Consequences of a Refund

- If you withdraw your contributions and interest before age 59½, the distribution may be subject to income tax, a 10 percent federal excise tax, and a 2.5 percent state excise tax.
- If you return to membership after taking a refund, and later redeposit contributions and interest, then the following will occur:
  - » Your membership date will change to your return date.
  - » You will be covered under Coverage B for survivor and disability benefits even if you had Coverage A before.
  - » You must accumulate one year of service credit since your last refund and have at least five years of credited service before being eligible for CalSTRS retirement benefits.

If you return to CalSTRS membership and wish to receive full retirement benefits from your past membership with CalSTRS, you must buy back the service credit previously refunded to you.

**IMPORTANT**

For more information on refunds, go to [www.CalSTRS.com](http://www.CalSTRS.com) or call 800-228-5453 to view or request the fact sheet, *Refund: Consider the Consequences*.

## Redeposits—Restoring Service Credit

Redepositing allows you to restore any service credit lost if you took a refund of contributions. If you return to teaching or other CalSTRS-covered employment, or if you become eligible for retirement with another California public retirement system, you may elect to buy back past Defined Benefit Program refunded service credit by redepositing your prior refunded contributions plus regular interest. For a list of the other California systems, see *Retiring From More Than One Public Retirement System* in [Section 6](#).

The longer the elapsed time between your refund and redeposit, the higher your redeposit amount will be.

You may not redeposit refunded Defined Benefit Supplement contributions and interest.

Before you are eligible for CalSTRS benefits, you must have earned at least one year of service credit after you received the most recent refund of your accumulated retirement contributions and have at least five years of credited service, unless you are retiring concurrently with another California public retirement system.

You may choose to restore a portion, rather than all, of the service credit you forfeited when you took a refund.

Redepositing does not re-establish your earlier membership date or benefits that may have been available to you before you received a refund.

In some community property settlements, your service credit, contributions and interest are divided to create a separate account for your former spouse or registered domestic partner. If your former spouse or partner takes a refund of his or her account, you can then choose to restore all or a portion of the service credit awarded to your former spouse or partner.

## Former Local Service Members

If you have Local Service credit listed on your 2005-2006 annual statement in your *Retirement Progress Report*, it will not be fully funded. You will receive only a maximum of \$2.40 per year of Local Service credit toward your retirement benefit. To fully fund this service, please contact us.

## Cost to Redeposit

The amount you need to redeposit and the benefits from restoring service credit will vary depending on your individual situation.

For example, a teacher who withdrew \$10,000 (representing three years of service) in May 1993 and wanted to purchase those years of credit in May 2008 would be required to redeposit \$24,855.

For more information on purchasing service credit, [see Section 6, Your Retirement Benefit](#). If you are considering a redeposit, see the brochure, [Purchase Additional Service Credit](#). You can view or order the brochure online at [www.CalSTRS.com](http://www.CalSTRS.com) or request a copy by calling 800-228-5453.

Any redeposits must be fully paid by December 31, 2010, if the restored service credit is to be used for longevity bonus eligibility.

## CalSTRS Defined Benefit Supplement Program

Since January 1, 2001, CalSTRS has established a Defined Benefit Supplement account for each active Defined Benefit member. As a member, this account will be available to you either when you begin receiving your monthly Defined Benefit or six months after you terminate CalSTRS-covered employment and receive a refund of your Defined Benefit contributions.

In addition to interest, the Defined Benefit Supplement Program receives funds from three sources:

- Redirection of one-fourth of your normal retirement contribution to CalSTRS. This redirection began January 1, 2001, and ends on December 31, 2010. It does not change the 8 percent retirement contribution currently withheld from your paycheck, nor does it affect your CalSTRS Defined Benefit retirement benefit.

- Since July 1, 2002, if you earn more than one year of service credit in a school year, your contributions and most of your employers' contributions from your earnings in excess of one year will be allocated to your Defined Benefit Supplement account. This provision will not end at the end of 2010.
- Some members receive special limited-term payments or compensation intended to enhance their Defined Benefit retirement benefits. Effective July 1, 2002, your contribution and most of your employer contributions on these payments are credited to your Defined Benefit Supplement account.

Funds in the Defined Benefit Supplement Program earn interest at a rate set at the beginning of each plan year, July 1 through June 30, by the Teachers' Retirement Board, based on the 30-year Treasury rate. At the end of each year, if your actual earnings exceed the board-set interest rate, the board may declare an additional earnings credit.

Contributions to your Defined Benefit Supplement account will not affect your ability to make contributions to 403(b), 457 or similar tax-deferred savings plans.

### **Access to Your Defined Benefit Supplement Funds**

Funds available at retirement, disability or termination of employment will vary, depending on your salary and overtime compensation, as well as the interest your account has earned. All your contributions and interest in your Defined Benefit Supplement account will appear on your *Retirement Progress Report*.

Your funds will be available to you when you begin to take a Defined Benefit monthly benefit or six months after you terminate CalSTRS-covered employment. If you terminate CalSTRS-covered employment, you must withdraw your Defined Benefit Supplement funds if you also withdraw your Defined Benefit account balance. If you return to CalSTRS-covered employment after withdrawing your Defined Benefit Supplement

funds, you will have to wait five years before you can make another withdrawal. Please note that you cannot borrow against your Defined Benefit Supplement account.

Your Defined Benefit Supplement account beneficiaries are the same as the beneficiaries you named under the Defined Benefit Program.

You can choose to receive the balance of your contributions and interest in your Defined Benefit Supplement account as a:

- **Lump-sum payment.** Your only choice if you are receiving a refund or if your account is less than \$3,500.
- **Monthly payment.** If your balance is \$3,500 or more, you may choose one of the following annuities to distribute payment over your and your beneficiary's lifetime, based on the option you chose for your Defined Benefit payment:
  - » Member-Only Annuity
  - » 100% Beneficiary Annuity
  - » 75% Beneficiary Annuity
  - » 50% Beneficiary Annuity
  - » Period-Certain Annuity
  - » Combination of Lump-Sum Payment and Annuity

For details on the Defined Benefit Supplement Program annuity options, see [Section 6](#), Your Retirement Benefit.

***Contributions to your Defined Benefit Supplement account will not affect your ability to make contributions to 403(b), 457 or similar tax-deferred savings plans.***

## Changing Employment to a Different Public Retirement System

Occasionally, teachers or others who perform CalSTRS-creditable service change employment to positions that are subject to coverage by another California public retirement system. For example, a classroom teacher may take a position as a human resources specialist in the district office, a position usually subject to California Public Employees' Retirement System coverage. On the other hand, a human resources specialist may decide to take a teaching position, a position usually subject to CalSTRS coverage. If you are a CalSTRS or CalPERS member and change employment subject to coverage by the other system, you will have an opportunity to continue coverage or change to the other system.

The two systems are treated differently for Social Security coverage. CalSTRS members do not participate in Social Security, but CalPERS members do. You are encouraged to contact the Social Security Administration at 800-772-1213 to determine how an employment change would affect any Social Security benefit due to you.

### If You Change to a CalPERS Position

If you are a member of the CalSTRS Defined Benefit Program and become employed by the same or a different school district, community college district, county office of education or have limited state of California employment to perform service that requires membership in CalPERS, you may elect to continue coverage under the CalSTRS Defined Benefit Program. If you do so, service in your new position, normally subject to coverage by CalPERS, will be treated as creditable service under the CalSTRS Defined Benefit Program.

The election:

- Must be made within 60 days of the date of hire into your new position.
- Must be done on the appropriate CalSTRS form provided by your employer.
- Is effective as of the date of hire into your new position.
- Is irrevocable and applies to all service in that position.

### If You Are a CalPERS Member

Certain members of CalPERS who subsequently are employed to perform CalSTRS creditable service can elect within 60 days of their new hire date to continue coverage under CalPERS for all subsequent CalSTRS creditable service. This applies to CalPERS members employed by:

- A school district.
- The Board of Governors of the California Community Colleges.
- The California Department of Education as of January 1, 2002.
- A local or state agency not listed above (only applies to vested CalPERS members).
- A CalPERS and CalSTRS participating charter school.

The election:

- Must be made within 60 days of the date of hire into the new position.
- Must be done on the appropriate CalPERS form.
- Is effective as of the date of hire into the new position.
- Is irrevocable and applies to all service in that position.

### Dual Membership

Members of CalPERS who are employed full time and accept part-time employment to perform creditable service covered by the CalSTRS Defined Benefit Program can permissively elect membership in CalSTRS and have their part-time service reported to CalSTRS.

### For More Information on the Two Systems

To help you compare the two systems, review the benefit information in this handbook, as well as the benefit information booklet provided by CalPERS. Both publications are available from your employer.

In addition, our brochure, *Join CalSTRS? Join CalPERS?*, outlines and compares the basic benefits of the two systems. For a copy, visit [www.CalSTRS.com](http://www.CalSTRS.com), ask your employer or call us at 800-228-5453.