



California State Teacher's
Retirement System

CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

Join CalSTRS? Join CalPERS?

DECIDE WHICH RETIREMENT SYSTEM IS BEST FOR YOU

2005

Contact CalSTRS



ASK your employer for the publication
CalSTRS Member Handbook

CALL 800-228-5453
and request Teletalk message #152

GO ONLINE for any legislative changes under
consideration: www.calstrs.com

Contact CalPERS

ASK your employer for the publication
CalPERS School Members

CALL Customer Service
888-CalPERS (225-7377)

GO ONLINE for any legislative changes under
consideration: www.calpers.ca.gov

This guide is based on the Teachers' Retirement Law and the Public Employees' Retirement Law as of January 1, 2005. If you find a conflict between this information and the law, the law takes precedence.

Retirement Planning

If you are changing from employment covered by either CalSTRS or CalPERS to employment covered by the other system, you can choose to be covered by either system or both. You have 60 days to decide. Study this brochure, compare and then decide which system works best for you. The California State Teachers' Retirement System? Or the California Public Employees' Retirement System? Or both? This brochure can help you decide. Both retirement systems are defined benefit plans, but with differences this brochure will outline and explain. So please read the information and compare the two systems before making a decision.

Remember, you have only 60 days from your hire date to make sure you keep your current retirement system.

Keep Your Current Retirement System

To retain your current retirement system, you need to complete a *Retirement System Election* form, provided by your employer.

Change to New Retirement System

Do nothing and you will automatically become a member of the retirement system covering your new position.

If you become a member of the new retirement system, you have another decision to make regarding your old retirement system.

1 You can retain your account with the old retirement system, which would give you dual membership in both systems. You could then retire from both at the same time for a “concurrent” retirement. For information on the rights and benefits of dual membership, see pages 8 and 9.

2 You could take a refund of your account in the old system. CalSTRS and CalPERS have different refund restrictions, which are described on page 8. Remember, if you take a refund, you forfeit all rights to benefits from that system.

**You have 60 days
from your hire
date to retain
your current
retirement system**



Answering Your Questions

1. How is my retirement allowance calculated?

CalSTRS & CalPERS — Both systems base the retirement allowance on your years of service in the retirement program, your retirement age (using a mathematical age factor) and your final compensation at retirement. The formula is: years of service X age factor X final compensation = Unmodified Retirement Allowance.

The Difference — No difference in the formula.

2. When can I retire?

CalSTRS — At age 55 with five years of service credit or as early as age 50 with 30 or more years of service credit.

CalPERS — At age 50 with five years of service.

The Difference — CalSTRS members who have less than 30 years of service cannot retire until age 55; CalPERS members may retire at age 50.

3. How will my final compensation be determined?

CalSTRS — Based on highest average annual compensation earnable for 12 consecutive months if 25+ years' service credit or, if less than 25 years' service credit, 36 consecutive months. Districts have the option of basing final compensation for their teacher members on the highest 12 consecutive months, under specified conditions.

CalPERS — Based on highest average monthly pay rate for last consecutive 12 months.

The Difference — Final compensation for most CalSTRS members is generally based on the highest average annual compensation earnable for 12 consecutive months' earnings or 36 consecutive months if less than 25 years of service credit; final compensation for CalPERS members is based on the pay rate for 12 consecutive months.

4. What annual adjustments are made to my benefit?

CalSTRS — Each year's retirement allowance is increased by 2 percent of the initial retirement allowance. The Legislature has periodically authorized ad hoc annual benefit adjustments (formerly COLAs).

4. continued

Quarterly supplemental payments are made when the allowance falls below 80 percent of purchasing power.

CalPERS — The initial allowance is increased up to 2 percent per year, compounded annually, beginning the second calendar year of retirement, unless the rate of inflation is lower. The Legislature has periodically authorized ad hoc COLAs. Monthly supplemental payments are made when the allowance falls below 75 percent of purchasing power.

The Difference — CalSTRS annual benefit adjustment is not compounded; CalPERS COLA is compounded annually to reflect inflation and does not have a fixed rate. CalSTRS purchasing power protection is 80 percent and paid quarterly; CalPERS is 75 percent and paid monthly.

5. Can I work in education after I retire?

CalSTRS — A certificated employee retiring under CalSTRS generally cannot accept a classified position. The exception is a teacher's aide in certain circumstances. If you retire under CalSTRS and perform CalSTRS-covered employment, earning above \$27,720 affects your allowance. You are exempt from this earning limit until January 1, 2008, if you perform no CalSTRS-covered service for at least one year after retirement or if you provide remedial education or other specified classroom instruction.

CalPERS — If a certificated employee stays in CalPERS, then retires and accepts a classified or certificated position in a school district, generally the retirement allowance will be terminated if the employment exceeds 960 hours in a fiscal year.

The Difference — Both plans' retirement allowances can be affected by post-retirement work. For CalSTRS retirees, this means work in a certificated position; a CalPERS retiree's work affects both classified and certificated positions. Generally, a retired CalSTRS member cannot work in a classified position.

6. Does my system accumulate funds for me in a supplemental account?

CalSTRS — From January 1, 2001 to December 31, 2010, 25 percent of member contributions goes to a supplemental account. Funds are available when retiring or one year after termination of employment.

The Difference — CalSTRS members have a supplemental account; CalPERS members do not.

7. What is my retirement contribution, including Social Security and Medicare?

CalSTRS — You pay 8 percent of your salary, plus 1.45 percent for Medicare if you were hired on or after April 1, 1986, or if you opted to be covered by Medicare if offered by your employer. CalSTRS members do not participate in Social Security.

CalPERS — You pay 7 percent of your salary, plus 6.2 percent for Social Security and 1.45 percent for Medicare.

The Difference — CalSTRS members pay a total of up to 9.45 percent of their salary, but earn no credits for Social Security benefits. Most CalPERS members pay 14.65 percent of their salary and earn credits for Social Security benefits.

8. What is my employer's contribution?

CalSTRS — Your employer contributes 8.25 percent of salary plus 1.45 percent for Medicare if you were hired after April 1, 1986, or opted to be covered by Medicare if offered by your employer.

CalPERS — The rate of your employer's contribution varies from year to year. The fiscal year 2004–05 contribution rate is 9.952 percent, plus 1.45 percent for Medicare coverage and 6.2 percent for Social Security, if covered.

The Difference — The CalSTRS employer contribution is always a fixed percentage. CalPERS employer contributions are adjusted when necessary.

9. Do I earn an extra monthly benefit for a long career?

CalSTRS — With 30 or more years of service credit earned by December 31, 2010, your allowance will be increased by a longevity bonus:

Bonus Amount	Service Credit at Retirement
\$200/month	30 years
\$300/month	31 years
\$400/month	32+ years

The Difference— CalPERS does not offer a longevity bonus.

10. What are the age factors?

The age factors of the two retirement programs differ. CalSTRS adds a career factor of 0.2 percent to the age factor if you have 30 or more years of service credit, up to a total of 2.4 percent; CalPERS does not offer a career factor.

CalSTRS (without career factor)*			
Age	Percent*	Age	Percent*
50	1.10†	57	1.64
51	1.16†	58	1.76
52	1.22†	59	1.88
53	1.28†	60	2.00
54	1.34†	61	2.133
55	1.40	62	2.267
56	1.52	63+	2.400

CalPERS			
Age	Percent	Age	Percent
50	1.10	57	2.126
51	1.28	58	2.188
52	1.46	59	2.250
53	1.64	60	2.314
54	1.82	61	2.376
55	2.00	62	2.428
56	2.064	63+	2.500

* Career factor — add 0.2 percent to the age factor for 30 or more years of service credit, up to a total of 2.4 percent

† Must have 30 or more years of service credit to retire

11. What additional service credit can I buy?

CalSTRS — You can buy service credit for:

- Redeposit of withdrawn funds
- Military service
- Job Corps service
- Teaching in a California university or state college
- Maternity, paternity, family or medical leave
- Service prior to membership in part-time or substitute work
- Fulbright or sabbatical leave
- Out-of-state teaching covered by a public pension plan
- Workers' Compensation
- Full-time paid Red Cross service
- Certificated teaching in a child care center, school for the blind or deaf, or in an Indian school
- Prior service covered under the Cash Balance Benefit Program
- Up to five years of nonqualified service credit, i.e., not related to prior employment, called "air time" (requires five years of CalSTRS service)

CalPERS — You can buy service credit for:

- Redeposit of withdrawn funds
- Military service
- Peace Corps, AmericaCorps or AmericaCorps VISTA service
- Educational or sabbatical leave
- California university, college, public agency or state employment
- Temporary job-related disability or illness
- Maternity or paternity leave
- Service prior to membership while serving a qualification period or while employed on a temporary, seasonal or less than half-time basis
- CETA service after July 1, 1979
- Employment as an elected or appointed official
- Leave to work in a local, state or foreign governmental agency or non-profit organization
- Lay-off periods from public agency employment

11. continued

- Service for time spent working for an employer before they began contracting with CalPERS.
- As of January 1, 2004, up to five years of nonqualified service credit not related to prior employment, called “air time” (requires five years of CalPERS service)

Please refer to the CalPERS Web site at www.calpers.ca.gov for additional information.

The Difference— In each system, you can buy service credit for some activities not covered by the other system.

12. Can I repurchase a previous refund?

CalSTRS — If you terminate CalSTRS membership, receive a refund of contributions and interest, and later return to membership, you can repurchase all, or some, of the service credit represented by the refund. The cost will include interest your refund amount would have earned.

If you refunded more than once, multiple refund costs are combined to arrive at a weighted average total cost.

CalPERS — If you terminate CalPERS membership, receive a refund of contributions and interest, and later return to membership, you can repurchase all, or some, of the service credit represented by the refund. The cost will include interest your refund amount would have earned.

If you refunded more than once, you may repurchase the service credit represented by the refund in reverse chronological order.

The Difference — If you terminate membership and later return, both systems allow you to repurchase all, or some, of the refunds you received. CalSTRS combines multiple refunds; CalPERS allows you to repurchase multiple refunds in reverse chronological order.

13. Do I participate in Social Security?

CalSTRS — No, and any Social Security benefits you earned in other employment may be reduced.

CalPERS — Yes, if you were hired after 1959. There are very few exceptions.

The Difference— CalSTRS members neither contribute to nor earn Social Security benefits. Also, CalSTRS-covered service may reduce previously earned Social Security benefits. Please refer to the Social Security Administration Web site, www.ssa.gov/gpo-wep, for additional information.

14. Will I have health care coverage in retirement?

CalSTRS & CalPERS — Is your district covered by the Public Employees’ Medical and Hospital Care Act? Is there a contract between your bargaining unit and the district? If yes, you are eligible for health benefits if enrolled upon separation and if you retire within 120 days of your separation date. If you get health care from other sources, coverage depends on the bargaining agreement with the employee organization. Ask your personnel office about your health care coverage in retirement.

The Difference — Your coverage depends on the employee group’s bargaining agreement with the district.

15. What disability benefits am I entitled to if I am unable to work?

CalSTRS — New CalSTRS members will be covered under Coverage B.

If you have five years of service credit (or one year if injured by a violent act on the job), your disability benefit is generally half your final compensation, plus 10 percent more for each eligible child, for a benefit total of up to 90 percent.

- *If you have Coverage A* – At age 60 your disability benefit ends. You will receive an ongoing benefit equal to the lesser of your disability benefit or a service retirement benefit.

To retain your current retirement system, you need to complete a Retirement System Election form provided by your employer.

- *If you have Coverage B* – You will receive a disability benefit as long as your disability continues.

CalPERS — If you are under age 60, have between five and 10 years of service credit, or 18.5 years or more of service credit, your disability formula is 1.8 percent X years of service X final compensation. If you have between 10 and 18.5 years of service, the Disability Retirement Benefit may be improved up to 33¹/₃ percent. At age 55, a service retirement allowance is payable. You also may be eligible for disability benefits under Social Security.

The Difference — Disability benefits paid by CalSTRS are generally higher than those paid by CalPERS, but CalPERS members may be eligible for disability benefits under Social Security. In addition, CalSTRS benefits increase if there are dependent children; CalPERS does not provide coverage to dependent children.

16. What benefits do my survivors receive if I die before I am eligible to retire?

CalSTRS —

- If you have Coverage A and have at least one year of service credit, your designated beneficiary is entitled to a lump-sum payment, currently \$6,163. For a surviving spouse or registered domestic partner with dependent children, the monthly family allowance equals 40 percent of your final compensation plus 10 percent of final compensation for each dependent child under age 22 for a benefit total of up to 90 percent. The surviving spouse or partner with no eligible dependent children receives either a lump sum of the contributions and interest or a monthly

allowance based on what your service credit and final compensation would have been at age 60. If a family allowance is not payable, a lump sum of your contributions and interest is paid to your beneficiary.

- If you have Coverage B and have at least one year of service credit, your designated beneficiary is entitled to a lump-sum death benefit amount, currently \$24,652. If a monthly survivor benefit allowance is not payable, a lump-sum refund of your contributions and interest is paid to your designated beneficiary. If there is a surviving spouse or partner, he or she can choose between the lump-sum refund of your contributions and interest, or a monthly survivor benefit allowance equal to 50 percent of the allowance you would have received if you retired at age 60, but based on actual service credit and final compensation. If a spouse or partner elects the lump-sum refund, no allowances are payable to dependent children. If there are dependent children and the surviving spouse or partner receives a monthly allowance, an additional allowance, equal to 10 percent of final compensation, is paid for each child under age 21, up to a maximum of 50 percent for five or more children.

CalPERS — Your survivors receive the Basic Death Benefit equivalent to a return of your contributions and interest, plus a month of salary for each year of service up to a maximum of six months' salary. Members not covered by Social Security may be eligible for an additional monthly allowance of up to \$1,800 payable to an eligible surviving spouse or registered domestic partner who has care of unmarried children under age 22, to unmarried children under age 22, to an eligible surviving spouse or partner over age 60 or to dependent parents. To be eligible for this benefit, member must have been paying a fee (generally \$2 per month). Members covered by Social Security may be eligible for survivor benefits.

The Difference — Under CalSTRS, a surviving spouse or registered domestic partner may choose a lump-sum payment or a monthly allowance, with additional provisions for dependent children. CalPERS pays a monthly allowance to a surviving spouse, partner or children only if special qualifications are met. Social Security may provide survivor benefits to survivors of CalPERS members covered by Social Security.

17. What benefits do my survivors receive if I am eligible to retire, but die BEFORE I retire?

CalSTRS — If you did not elect a retirement option, your survivors receive the same coverage as given in #16. If you did elect a pre-retirement option, your option beneficiary(ies) receives an allowance based on the option chosen. There are seven joint and survivor options.

CalPERS — Your survivors receive the Basic Death Benefit equivalent to a return of your contributions and interest, plus up to a maximum of six months' pay. Or, a spouse/registered domestic partner to whom you have been married to or in a partnership with for at least one year prior to your death or before the occurrence of the injury or the onset of the illness that resulted in your death, or your unmarried children under 18, can receive a monthly benefit equal to one-half of what your highest service retirement allowance would have been had you retired on the date of death. The survivor can receive only one, not both, of these benefits. Members not covered by Social Security may be eligible for an additional monthly allowance of up to \$1,800 payable to an eligible surviving spouse or registered domestic partner who has care of unmarried children under age 22, to unmarried children under age 22, to an eligible surviving spouse or registered domestic partner over age 60 or to dependent parents. To be eligible for this benefit, the member must have been paying a fee (generally \$2 per month). If you are a state employee rather than a school employee, check with CalPERS because these benefits may vary.

The Difference — CalSTRS allows you to make a pre-retirement election of an option and name any person to receive an ongoing monthly allowance. Under CalPERS, you cannot make a pre-retirement election of an option. In the absence of a pre-retirement election of an option, both systems provide survivor benefits to specific family members. The amounts paid to survivors may be higher or lower than the other system, depending on family circumstances.

18. What benefits do my survivors receive if I die AFTER I retire?

CalSTRS — Your beneficiary's lump-sum death benefit amount is currently \$6,163. Also, if you elected a modified allowance, under an option, the option beneficiary's(ies) allowance is based on the option you chose. If you did not elect to receive a modified allowance, your beneficiary is refunded the unspent contributions and interest that remain in your account. There are seven joint and survivor options.

CalPERS — Your beneficiary's lump-sum death benefit is generally \$2,000.* If you elected the option specifically providing a return of unused contributions, your beneficiary will be refunded any remaining contributions and interest. In addition, an eligible family member receives a survivor's continuance allowance, equal to 25 percent of your unmodified retirement allowance (if service is coordinated with Social Security), or 50 percent of the unmodified allowance (if service is not coordinated with Social Security). If you elected a modified allowance, the beneficiary allowance paid is based on the option you elected.

* School employers can contract for a \$2,000, \$3,000, \$4,000 or \$5,000 lump-sum benefit.

The Difference — CalSTRS has a higher lump-sum death benefit than CalPERS. CalPERS pays an additional "survivor continuance" allowance, regardless of whether you elected a modified or unmodified allowance. Both systems generally have the same options available for beneficiary allowances.



Dual Membership

You may decide to have your new employment covered by the other retirement system. You then have the additional decision of whether to retain your account in the old retirement system or take a refund. By taking a refund, you lose all benefits under that retirement system. This action can have serious implications for your retirement lifestyle later and should be carefully considered. To assist you in making this decision, below is an overview of the rights and benefits of a person who is a member of both CalSTRS and CalPERS.

Rights and Benefits under CalSTRS		Rights and Benefits under CalPERS
Concurrent Retirement	You may retire from a concurrent retirement system and at a later date from CalSTRS and still receive concurrent benefits as long as there is no credited service performed in either system between the two retirement dates.	You may retire from a concurrent retirement system and at a later date from CalPERS and still receive concurrent benefits.
Changing Retirement Systems	You may leave service and contributions on deposit and become a member of CalPERS, UCRS, LRS, SFCCRS or 1937 Act County Retirement System.	You may leave service and contributions on deposit and become a member of CalSTRS, UCRS, LRS, JRSI, JRSII or 1937 Act County or local public retirement systems.
Redeposit Rights	<p>If you were a member of CalSTRS and refunded, you are eligible to redeposit all or a portion of withdrawn contributions and interest if you are a member of CalPERS, UCRS, LRS, SFCCRS or 1937 Act County Retirement System.</p> <p>A former CalSTRS member does not have to be employed by a CalSTRS employer while paying for the redeposit. Once payment on the redeposit is complete, the person is reestablished to active member status.</p>	<p>If you were a member of CalPERS and refunded, you have a right to redeposit previously withdrawn contributions in CalPERS to reestablish service credit and membership if you are now a member of a reciprocal or non-reciprocal system.</p> <p>A former CalPERS member does not have to be employed by a CalPERS employer while paying for the redeposit.</p>
Refund Restriction	You are eligible to withdraw your CalSTRS contributions and interest upon termination of CalSTRS-covered employment. You must contact the other retirement system to determine the impact of a refund on status with that system.	<p>Your contributions and interest may be withdrawn prior to entering employment with CalSTRS or upon separation from employment covered by a non-reciprocal system (the system must notify CalPERS you have refunded or retired).</p> <p>Your CalPERS' contributions and interest may not be withdrawn while you are a member of CalSTRS.</p>

Rights and Benefits under CalSTRS		Rights and Benefits under CalPERS
Minimum Age Requirement for Retirement	<p>Age 50 – with at least 30 years of CalSTRS service credit.</p> <p>Age 55 – with at least five years of CalSTRS service credit.</p>	Age 50 – with at least five years of CalPERS service credit.
Minimum Service Requirement for Retirement	<p>If you are eligible to receive a benefit from another retirement system, you may retire for service after attaining age 55 regardless of the number of years earned in CalSTRS, provided retirement is concurrent with retirement from at least one of the other systems.</p> <p><i>Note: the retiree must meet the retirement eligibility requirements for at least one system in order to retire concurrently.</i></p> <p>Only CalSTRS service credit is used in the calculation of your CalSTRS benefit.</p>	<p>You may retire without meeting minimum service credit requirement when membership is established with CalSTRS.</p> <p>Only CalPERS service credit is used in the calculation of your CalPERS benefit.</p>
Final Compensation	CalSTRS will use the highest compensation earnable under either system to calculate final compensation if you retire concurrently. However, CalSTRS must use CalSTRS earnable compensation if service is performed in both systems at the same time.	CalPERS will use the highest compensation earnable under either system to calculate final compensation if you retire concurrently.
Disability Retirement	<p>You must be vested in CalSTRS to receive a disability retirement.</p> <p>CalSTRS uses compensation earned in the other system if it is greater.</p>	<p>At the time of disability, you must be actively employed under CalPERS membership and meet minimum vesting requirements for a CalPERS disability retirement. If you are entitled to a disability retirement or allowance* from CalSTRS, you must retire for service retirement with CalPERS on the same date for the provisions of final compensation to apply.</p> <p><i>* If you are receiving a disability allowance from CalSTRS, you can retire for service with CalPERS either at the time you start receiving the disability allowance (if minimum retirement age) or at age 60 when the disability allowance under CalSTRS is changed to a service retirement.</i></p>

This publication is produced by the California State Teachers' Retirement System
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