

Refund

Consider The Consequences

Before you apply for a refund of the contributions you made to your CalSTRS account, we encourage you to carefully consider the consequences. Even if you think you may not return to teaching, applying for a refund may not be in your best long-term financial interest.

The following information can help you make the best choice for your financial future.

Leaving Your Contributions in Your CalSTRS Account Means...

- You will be eligible for a monthly retirement benefit for life when you reach age 55 if you have five years of service credit.
- If you have fewer than five years of service credit, you can still receive a lifetime monthly benefit from CalSTRS if you retire from certain other California retirement systems (see reverse).
- Your contributions continue earning interest. You can designate a beneficiary to receive a lump-sum payment of your account contributions upon your death.

Taking a Refund of Your CalSTRS Contributions Means...

- You forfeit all rights to CalSTRS benefits, including survivor and disability benefits, unless you return to CalSTRS-covered employment.
- You must earn one year of CalSTRS service credit since your last refund and have at least five years of credited service before being eligible for CalSTRS retirement benefits.
- You must also take a refund of your Defined Benefit Supplement account contributions, losing the interest they would earn until you retire. You can't buy back DBS contributions.
- Your refund may be taxed as income and subject to an additional 10 percent federal and 2.5 percent state tax if you take a refund before age 59½ and do not roll over your account to a qualified retirement plan.

Keeping Your Contributions Means Keeping Your Service Credit

One thing to keep in mind is that by not taking a refund, you keep your CalSTRS service credit. We calculate a retirement benefit using a three-part formula, which includes service credit.

Service credit x Final compensation x Age factor = CalSTRS retirement benefit

When you take a refund, you lose the service credit you have earned in CalSTRS-covered employment. You can buy back that service credit if you later return to a CalSTRS position, but since we charge interest, the cost will increase over time.



CASE EXAMPLE:

Educator with six years in the classroom

Paula taught full-time for six years after college but now plans to open a kayak rental business. Paula wants to take a refund of her \$12,720 in CalSTRS contributions to start the business. If Paula keeps her money in CalSTRS until she retires and receives a \$300 monthly retirement benefit for 10 years, she would receive \$23,280 more in retirement benefits than her refund amount of \$12,720.

6 Years of service credit

0.02 X Two percent age factor if Paula retires at age 60

\$2,500 X Highest average monthly salary over 3 years

\$300 Monthly lifetime retirement benefit

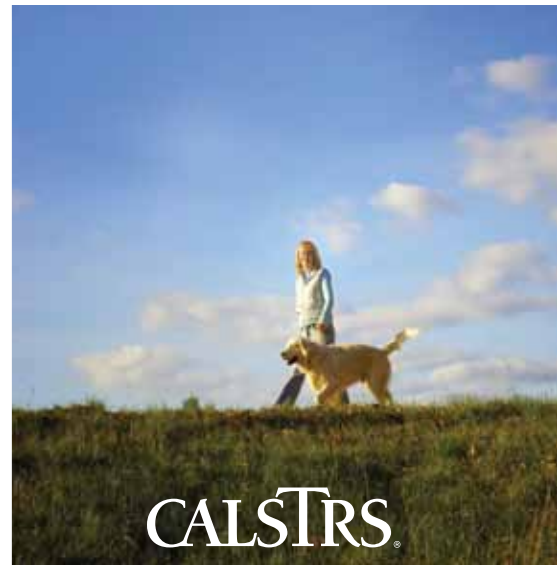
Go to www.CalSTRS.com for more information about taking a refund or a concurrent retirement.

Concurrent Retirement

If you leave in or buy back your CalSTRS contributions and later retire from certain other California retirement systems, you can apply for a concurrent retirement from both systems. This is true even if you have fewer than five years of CalSTRS service credit.

The other retirement systems include:

- Legislators' Retirement System
- Public Employees' Retirement System
- San Francisco Employees' Retirement System
- University of California Retirement System
- Systems established under the County Employees' Retirement Law of 1937



CalSTRS Resources



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WRITE

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CalSTRS West Sacramento Headquarters may experience closures through June 30, 2010, due to ordered employee furloughs. Please call to confirm business hours.