

Your Retirement Formula: How It Works

CalSTRS 2% at 60

Faye is a first-grade teacher with 29 years of service credit. She just turned 58 and though not in a hurry to retire, she's been thinking more about retirement lately. Her monthly pay is \$4,708.

Here are three examples for her retirement benefit calculation, not including any sick leave she may have that will be converted to service credit at retirement, and assuming her pay stays the same.

If Faye retires with at least 30 years of service credit, a 0.2 percent career factor will be added to her age factor, up to a maximum age factor of 2.40 percent.

EXAMPLE 1

If Faye were to retire today, her monthly retirement benefit would be:

29	x	1.76%	x	\$4,708	=	\$2,403
service credit		age factor		final compensation		retirement benefit

EXAMPLE 2

If she continued working until her 60th birthday, her monthly retirement benefit would be:

31	x	2.20%	x	\$4,708	=	\$3,211
service credit		age factor + career factor		final compensation		retirement benefit

EXAMPLE 3

If she continued working until her 62nd birthday, she would be eligible for the maximum combined age factor and career factor of 2.40 percent, giving her a monthly retirement benefit of:

33	x	2.40%	x	\$4,708	=	\$3,729
service credit		age factor + career factor		final compensation		retirement benefit

CalSTRS 2% at 62

Bill was first hired to teach high school chemistry in March 2013, so he falls under the CalSTRS 2% at 62 benefit structure. He is 30 years old and would like to retire at age 62 or later. Under CalSTRS 2% at 62, there is no career factor or one-year final compensation benefit enhancement.

EXAMPLE 1

If Bill continues working until his 62nd birthday, he would be eligible for the age factor of 2 percent. If his final compensation is \$5,100, his monthly retirement benefit would be:

32	x	2%	x	\$5,100	=	\$3,264
service credit		age factor		final compensation		retirement benefit

EXAMPLE 2

If Bill continues working until he turns 65, he would be eligible for the maximum age factor of 2.4 percent. If his final compensation was still \$5,100, his monthly retirement benefit would be:

35	x	2.4%	x	\$5,100	=	\$4,284
service credit		age factor		final compensation		retirement benefit

Your Defined Benefit Membership

CalSTRS Defined Benefit Program is a traditional defined benefit plan that provides retirement, survivor and disability benefits. Your retirement benefit is based on a formula set by law using your age, service credit and final compensation.

CalSTRS has two benefit structures: Members first hired on or before December 31, 2012, are under CalSTRS 2% at 60, and those first hired to perform creditable activities on or after January 1, 2013, are under CalSTRS 2% at 62. You are also under CalSTRS 2% at 60 if you:

- Were a CalSTRS member before 2013, terminated your membership and then returned to active membership on or after January 1, 2013.
- Performed CalSTRS creditable activities that were subject to coverage under a different retirement system, including Social Security, on or before December 31, 2012.
- Were a member of a concurrent retirement system on or before December 31, 2012, and performed service under that system within six months of becoming a CalSTRS member.

Membership

If you are an educator or are performing other activities that are creditable service, you may be a member of the Defined Benefit Program as mandated by law or you may be eligible to elect membership.

You are eligible for the Defined Benefit Program if you're an employee of a California public school system, prekindergarten through community college, in a position that requires you to:

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

Only activities identified as creditable service count toward years of service for CalSTRS retirement.

creditable service = activities such as teaching, vocational or guidance counseling, services related to school curriculum, certain administrative duties and others defined in the California Education Code that count toward your service credit and require a credential, certificate or permit.

creditable compensation = salary and other earnings paid in cash by your employer to everyone in the same class of employees and paid to you for performing creditable service.

- **CalSTRS 2% at 62:** Only compensation paid in cash each pay period in which creditable service is performed under a publicly available written contractual agreement is considered creditable compensation.

Full-Time Educators

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

full time = the days or hours of creditable service your employer requires a class of employees to work in a school year in order to receive full compensation earnable.

For example, under a collective bargaining or employment agreement, your employer might require high school guidance counselors to work a specific number of days each school year.

CalSTRS 2% at 60 CalSTRS 2% at 62

The 2 percent, also known as the age factor, refers to the percentage of your final compensation that you will receive as a retirement benefit for every year of service credit. The basic age factor for members under CalSTRS 2% at 60 is 2 percent at age 60. The basic age factor for members under CalSTRS 2% at 62 is 2 percent at age 62. Other benefit differences for members under CalSTRS 2% at 62 are outlined on page 21 and noted throughout the *Member Handbook*.

If you made retirement contributions to CalSTRS on or after January 1, 2001, you have a Defined Benefit Supplement account, which provides an additional retirement benefit. See page 26.

When you terminate CalSTRS-covered employment and receive a refund of your Defined Benefit member contributions, you are no longer eligible for CalSTRS benefits.

Part-Time Educators

If you are a part-time, substitute or temporary employee performing creditable service in the California public school system, you can choose to belong to the Defined Benefit Program or an alternative program offered by your employer, such as the Cash Balance Benefit Program. Your employer must formally notify you of your right to elect membership in the Defined Benefit Program within 30 days of hiring. You can elect membership only during a pay period in which you actually performed creditable service and on the appropriate form provided by your employer. The date of membership is the first day of the pay period in which you made your election. If you participate in the Cash Balance Benefit Program and later become a full-time employee, you automatically will become a member of the Defined Benefit Program. See tables below for information about mandatory Defined Benefit Program membership for part-time educators.

Charter School Educators

If you are a charter school employee performing creditable service in a charter school that is eligible to receive state apportionment, you are eligible for the Defined Benefit Program only if your school's charter designates the school's participation in the Defined Benefit Program.

Eligibility for Benefits

You will be eligible for a guaranteed lifetime retirement benefit when you have 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. Or you can retire at age 55 with at least five years of service credit—or fewer if you retire concurrently from certain other California public retirement systems. See “Retiring From More Than One Public Retirement System,” page 43, for a list of the California public systems.

- **CalSTRS 2% at 62:** The earliest age you can retire is 55 with five years of service credit—or fewer under the special circumstances of concurrent retirement. You are not eligible for retirement at age 50 with 30 years of service credit.

Contributions

Your Contributions

For service performed in 2014–15, you contribute 8.15 percent of your earnings (creditable compensation) to your CalSTRS retirement as required by the Teachers’ Retirement Law, up

Membership When the Cash Balance Benefit Program Is Offered

In school districts, county offices of education, participating charter schools 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 contracted, part-time, hourly or daily basis 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 part time	First day of the pay period following employment to perform creditable service for more than 67 percent of full-time assignment. Mandatory Defined Benefit membership does not apply to temporary employees of adult education or community college districts.



to the applicable compensation cap. Your contributions are withheld from your earnings by payroll deduction and credited to your Defined Benefit account and to your Defined Benefit Supplement account, if you earn more than one year of service credit in a school year.

Under the 2014 full funding plan, contribution rates for CalSTRS 2% at 60 members will be gradually increasing annually to 10.25 percent in 2016–17. See page 5.

By law, CalSTRS 2% at 62 members (first hired on or after January 1, 2013) must contribute 50 percent of the normal cost of their benefits, in addition to the increase required under the 2014 full funding plan, so the contribution rate will be adjusted up or down depending on the normal cost of benefits. It is anticipated the rate will be 8.56 percent in 2015–16 and 9.205 percent in 2016–17.

Employer Pick-Up of Contributions

Most employers participate in the federal Employer Pick-Up Program under Internal Revenue Code section 414(h)(2). Under this provision, your employer "picks up" your CalSTRS member contributions so that you can defer income taxes on that portion of your compensation. The contributions are taxable when returned to you or your beneficiaries as a lump sum or monthly benefit.

- See "Tax Information and Legal Matters," page 107.

Your Employer's Contributions

For 2014–15, your employer—school district, community college district, participating charter school or county office of education—contributes an amount equal to 8.88 percent of your earnings to CalSTRS. Your employer's contributions are not credited to your Defined Benefit account but are deposited into the Teachers' Retirement Fund to help fund the benefits paid to all members and beneficiaries.

Under the 2014 full funding plan, the employer contribution rate is increasing gradually over the next six years to 19.1 percent in 2020–21.

Designate your one-time death benefit recipient using your *myCalSTRS* account or the *Recipient Designation* form, available at CalSTRS.com. You can change your death benefit recipient at any time, with no financial penalty.

Membership When the Cash Balance Benefit Program Is Not Offered

In school districts, county offices of education, participating charter schools and community colleges that do not offer the Cash Balance Benefit 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 part time	First day of the pay period following employment to perform creditable service for more than 67 percent of full-time assignment. Mandatory Defined Benefit membership does not apply to temporary employees of adult education or community college districts.

Under state law, you cannot borrow from or against the funds in your CalSTRS Defined Benefit or Defined Benefit Supplement account.

Build your Defined Benefit Supplement account by taking on extra-pay assignments. See page 53.

The State's Contributions

For 2014–15, the state of California contributes 3.454 percent of the annual earnings of all members. The state also contributes an amount equal to about 2.5 percent of annual member earnings into the CalSTRS Supplemental Benefit Maintenance Account. The SBMA account is used to maintain the purchasing power of benefits.

Under the 2014 full funding plan, the state contribution rate will be increasing over the next two years to 8.828 percent, including the contributions to maintain the purchasing power of benefits.

● See “Purchasing Power Protection,” page 81.

Your Defined Benefit Account

Interest is credited to your account primarily to provide a lump-sum benefit to you if you terminate CalSTRS-covered employment and withdraw your contributions, or to your beneficiaries, if you die without survivors who are eligible for a monthly benefit.

The amount in your account is not used to calculate your retirement benefit. Your retirement benefit is a guaranteed lifetime benefit using a formula based on your service credit, age and final compensation.

You will not receive your employer's contributions if you terminate your membership—employers' contributions go toward paying all members' retirement benefits.

Interest

Interest is credited to your accumulated Defined Benefit contributions, including past interest earned, at the end of each fiscal year. The interest rate is adopted annually by the Teachers' Retirement Board and approximates the yield on two-year Treasury notes. The rate through June 30, 2015, is .32 percent.

Your Defined Benefit Supplement Account

If you made retirement contributions to CalSTRS on or after January 1, 2001, as a Defined Benefit member, you have a Defined Benefit Supplement account. Your Defined Benefit Supplement account is a cash balance retirement plan that provides additional guaranteed income for retirement.

As of January 1, 2011, you and your employer each contribute 8 percent of your earnings, for a total of 16 percent, to your Defined Benefit Supplement account on the following types of earnings:

- Earnings in excess of one year of service credit.
- Special limited-term payments or retirement incentives.

From January 1, 2001, to December 31, 2010, one-fourth of your 8 percent member contribution to the Defined Benefit Program was redirected to your Defined Benefit Supplement account. The redirection did not affect your CalSTRS retirement benefit. Your entire Defined Benefit member contribution is now credited to your Defined Benefit account.

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

● **CalSTRS 2% at 62:** If you have earnings in excess of one year of service credit but below the compensation cap, contributions on those earnings will be credited to your Defined Benefit Supplement account. Special limited-term payments and retirement incentives are not creditable to any CalSTRS program. There are no other sources of funds for your Defined Benefit Supplement account.

Interest

Your Defined Benefit Supplement account earns 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 average 30-year Treasury rate. The rate through June 30, 2015, is 3.55 percent. The interest rate cannot be less than the rate for your Defined Benefit account.

If the actual investment earnings exceed the board-set interest rate at the end of the year and program assets sufficiently exceed the amount needed to meet liabilities, the board may declare an additional earnings credit.

The amount payable to you at retirement, or if you take a refund, is equal to the balance of your and your employer's contributions, interest earnings and any additional earnings credits declared by the Teachers' Retirement Board.

Accessing Your Funds

Your Defined Benefit Supplement account balance is distributed to you:

- When you begin receiving your monthly service retirement benefit, or a Coverage A disability benefit, or
- Six months after you terminate CalSTRS-covered employment and receive a refund of your Defined Benefit contributions. If you return to CalSTRS-covered employment within the six-month time frame, your Defined Benefit Supplement distribution will be canceled.

If you return to CalSTRS-covered employment after receiving a distribution of your Defined Benefit Supplement account, you'll have to wait five years before you can receive another distribution. You cannot redeposit Defined Benefit Supplement funds.

- See "Your Survivor Benefits," page 85, and "Your Disability Benefits," page 95, for Defined Benefit Supplement distributions upon your death or disability.

Sick Leave

At service retirement, CalSTRS will process and convert your unused sick leave to additional service credit using the information your employer provides on the *Express Benefit Report* form. As soon as you change employers during your career, coordinate with your former employer to arrange for the transfer of your accumulated unused sick leave to your new employer.

For retirements effective on or after January 1, 2013, each of your employers during the last school year in which you performed creditable service can submit the *Express Benefit Report* form if your unused sick leave was not transferred between districts. For retirements effective before January 1, 2013, only your last employer can report unused sick leave by submitting the *Express Benefit Report* form.

- See also "Converting Unused Sick Leave to Service Credit," page 54.

Refund: Consider the Consequences

Considering a career change? If you no longer work in a CalSTRS-covered position, you can leave your money in CalSTRS until you reach age 70½ or request a refund.

- See also "Internal Revenue Codes Affecting Benefits," page 108.

Know the Consequences of a Refund

If you have fewer than five years of service credit and do not plan to return to teaching, and you are not eligible for concurrent retirement with another California public system, you may wish to consider a refund. Otherwise, carefully consider the consequences of taking a refund.

You cannot cash out unused sick leave days.

Benefits of leaving your contributions with CalSTRS:

- You'll keep your service credit.
- Your accounts will continue to accrue interest.
- You'll be eligible for a monthly retirement benefit when you are age 55 with at least five years of service credit.

Consequences of receiving a refund:

- You'll no longer be a CalSTRS member.
- You'll cancel your eligibility for your CalSTRS retirement benefit, as well as survivor and disability benefits, unless you return to CalSTRS-covered employment.
- Any option beneficiary or one-time death benefit designation will be canceled. If you return to CalSTRS membership and later retire, an assessment will be calculated at retirement for the preretirement election of an option you previously made. The assessment may reduce your lifetime monthly retirement benefit. (If you reinstate, you may designate a new one-time death benefit or option beneficiary.)
- You must receive the total balance of your Defined Benefit Supplement account as a termination benefit. You cannot redeposit this distribution.
- Your refund and termination benefit may be taxed as income unless they are rolled over into a qualified retirement account. CalSTRS is required to withhold 20 percent federal income tax on all payments distributed directly to you. If you choose to have state income tax withheld, CalSTRS will withhold at 2 percent. You may have to pay additional federal and state taxes if you take your refund before age 59½ and do not roll over your funds to a qualified retirement plan.
- Your Social Security benefit, if you are eligible to receive one, may be offset by two federal rules, the Windfall Elimination Provision or the Government Pension Offset, if you take a refund.
- You may not redeposit your Defined Benefit contributions unless you re-qualify for CalSTRS membership or are a member of certain other California public retirement systems.

Redepositing As a Member of Another Public System

If you take a refund, and go to work for certain other public retirement systems in California, you can redeposit your contributions and interest without re-establishing your CalSTRS membership.

If you return to membership after taking a refund and later redeposit contributions and interest:

- Your membership date will change to your return date for determining your years of service credit for your retirement benefit calculation.
- You will be covered under Coverage B for survivor and disability benefits even if you previously had Coverage A.
- You must earn one year of service credit since your last refund and have at least five years of service credit before being eligible for a CalSTRS retirement benefit.
- You will be under the CalSTRS 2% at 60 benefit structure if you were first hired to perform CalSTRS creditable activities before January 1, 2013.

You must purchase, or redeposit, the service credit previously refunded to you if you wish to restore your past service credit and receive full retirement benefits from your past CalSTRS membership.

Taking a Refund

Defined Benefit Account

When you terminate your CalSTRS-covered position, you can request a refund of your Defined Benefit member contributions, including interest earned. After your employer verifies your separation and CalSTRS receives your *Refund Application*, CalSTRS will refund your Defined Benefit member contributions, including tax-deferred member contributions under the Employer Pick-Up Program, plus the interest earned on your contributions. Partial refunds are not allowed. In addition, employer and state contributions are not refundable.

Defined Benefit Supplement Account

After terminating employment and receiving a refund of your Defined Benefit contributions and interest earned, if you have not performed creditable service, including substitute teaching, for six months, CalSTRS will provide you with a termination benefit from your Defined Benefit Supplement account after you respond to correspondence from us regarding the payout. Your termination benefit will include your member contributions and your employer's contributions that were credited to your Defined Benefit Supplement account.

If you return to CalSTRS-covered employment, you cannot redeposit your Defined Benefit Supplement distribution. In addition, only one termination benefit under the Defined Benefit Supplement Program is allowed in a five-year period.

➤ Visit CalSTRS.com/members or see the *Refund: Consider the Consequences* fact sheet.

Redepositing to Restore Service Credit

Redepositing allows you to restore any service credit lost if you took a refund of your contributions and interest earnings. If you return to teaching or other CalSTRS-covered employment, or if you are a member of certain other California public retirement systems, you may restore past Defined Benefit refunded service credit by redepositing your refunded contributions plus interest.

You may choose to restore a portion, rather than all, of the service credit you lost when you took a refund. The more time between your refund and redeposit, the higher the cost to redeposit. You may not redeposit Defined Benefit Supplement distributions.

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 accumulated retirement contributions and have at least five years of service credit, unless you are retiring concurrently from certain other California public retirement systems.

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 choose to purchase all or a portion of the service credit awarded to your former spouse or partner.

Cost to Redeposit

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

For example, a teacher who withdrew \$10,000 (representing three years of service credit) on May 1, 1994, and wanted to purchase those years of service credit on May 1, 2014, would be required to redeposit \$33,782.

● See "Purchasing Permissive Service Credit," page 55, and the *Purchase Additional Service Credit* booklet at CalSTRS.com/publications.

Your redeposit must be paid in full before your retirement date. You may not redeposit Defined Benefit Supplement distributions.

Redepositing does not re-establish your earlier membership date for calculating your retirement benefit—or benefits that may have been available to you before you received a refund. An exception: You will be under CalSTRS 2% at 60 if you were first hired to perform CalSTRS creditable activities before January 1, 2013.

Social Security

CalSTRS members do not participate in Social Security, but CalPERS members do. Contact the Social Security Administration at 800-772-1213 to determine how an employment change would affect any Social Security benefit due to you.

Dual Membership

Members of CalPERS who are employed full time and accept part-time, temporary 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.

See the *Join CalSTRS? Join CalPERS?* brochure at CalSTRS.com/publications, and ask your employer for the CalPERS benefit information brochure.

Former Local Service Members

If you have Local Service credit listed on your *Retirement Progress Report* (certain members who worked for the Los Angeles Unified School District or the San Francisco Unified School District), it will not be fully funded. Unless you submit additional contributions, your retirement benefit will include only up to \$2.40 per year of Local Service credit toward your retirement benefit. To fully fund this service, contact CalSTRS.

Changing Employment to a Different Public Retirement System

If you are a CalSTRS member and change to employment covered under certain other public retirement systems in California, such as the California Public Employees' Retirement System, you can continue your existing CalSTRS coverage or change to that other system. For example, you may move from a job as a classroom teacher to a position as a budget analyst in the district office, a position usually under CalPERS. Likewise, a budget analyst may decide to take a teaching position, a position usually under CalSTRS.

If You Change to a CalPERS Position

If you are a Defined Benefit member 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 CalSTRS. If you do, service in your new position 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 for that employer.

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 one or more of the following:

- 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 (applies only 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 for that employer.