

# Cash Balance Benefit Program

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# Cash Balance Benefit Program

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

# Objectives

Review the Cash Balance Benefit Program

Understand the program's benefits

Explore additional resources and considerations

# Cash Balance Benefit Program

# CalSTRS programs

## **Cash Balance Benefit**

Retirement program offered by participating districts to employees that work on a part-time or temporary basis.

## **Defined Benefit**

Pension based on a formula. As a part-time educator, you may permissively elect membership at any time.

## **Pension2<sup>®</sup>**

Voluntary defined contribution plan available to all members in participating districts.

# Cash Balance plans

**Cash Balance Benefit Program**

**vs**

**Defined Benefit Supplement**

Part-time educator

Defined Benefit member

Alternative to Social Security

Service in excess of 1.000

Retirement savings

Additional retirement savings

# Cash Balance Benefit Program enrollment

## Participant election

- ▶ You signed up within the first 60 days of being employed.
- ▶ You can elect Cash Balance Benefit at any time.

## Automatic enrollment

- ▶ If no program was selected within 60 days, if eligible.

# Cash Balance Benefit Program eligibility

Pre-K through 12

Employed less than 50% of full time

Signed a contract for less than 50%

Substitute employees



# Cash Balance Benefit Program eligibility

## County Office of Education

Employed less than 50% of full time

Signed a contract for less than 50%

# Cash Balance Benefit Program eligibility

## Community college

Adjunct or hourly faculty

Hired semester to semester

Adult education instructors

Only available if district adopts a resolution to offer the Cash Balance Benefit Plan.

# Cash Balance Benefit Program features

No program fees

Immediate vesting

Assets managed by CalSTRS

Portability

# Cash Balance Benefit Program features

Low contribution rates

Employer matching

Guaranteed annual interest rate

Flexibility at retirement

# Cash Balance Benefit Program

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

## Cash Balance Benefit Program

A retirement plan for part-time  
and adjunct educators



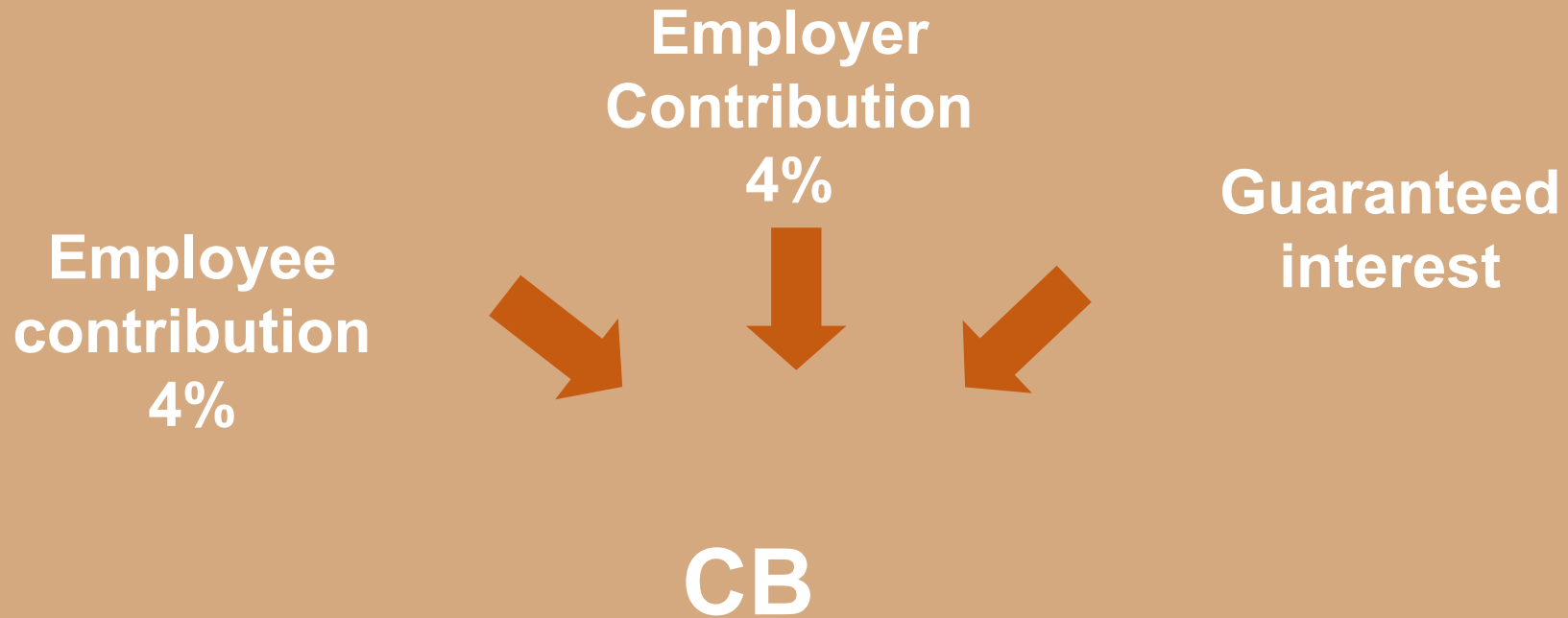
Specifically for educators who work part-time or temporarily

Offered as an alternative to Social Security

Only in participating districts

Details about Cash Balance can be found in the *Cash Balance Benefit Program* booklet.

# Cash Balance Benefit Program funding



Consider a rollover from other qualified retirement plans.

# Cash Balance Benefit account distributions

**Lump sum**

**Lifetime annuity**

**Period-certain annuity**

Review your choices and tax considerations with a tax professional.

# Lump-sum payment



Take your entire account balance at retirement



# Lifetime annuity

Receive a separate monthly payment for your lifetime.

Your annuity beneficiary will receive a lifetime monthly payment upon your passing.



**Account  
balance**

**Participant-Only  
Annuity**



**Account  
balance**

**100% Beneficiary  
Annuity**

**75% Beneficiary  
Annuity**

**50% Beneficiary  
Annuity**

# Period-certain annuity

**Account  
balance**



**3  
year**   **4  
year**   **5  
year**

**6  
year**   **7  
year**   **8  
year**   **9  
year**

Annuitize account balance and receive a monthly benefit for a specified number of years.

# Period-certain annuity

**Account  
balance**

A large, dark blue arrow pointing downwards, indicating the flow from the account balance to the annuity period.

**10  
year**

Annuitize account balance and receive a monthly benefit for a specified number of years.

# **Benefits of Cash Balance Benefit Program**

# Cash Balance retirement benefit

Normal retirement age (60 or 62)

Early retirement at age 55

Must terminate all creditable service

Required minimum distribution at age 73

# Meet Jemma Simmons

- Jemma is 62 years old
- Married to Leopold, her husband of 30 years
- Contributing to Cash Balance Benefit Program for 10 years
- Interested in retiring and taking a distribution from her account

# Lump-sum payment



\*Mandatory 20% federal withholding and optional 2% state tax withholding

# Lifetime annuity

**Participant-Only  
Annuity**

**\$48,801**

**\$312**

**100% Beneficiary  
Annuity**

**\$291**

**75% Beneficiary  
Annuity**

**\$48,801**

**\$299**

**50% Beneficiary  
Annuity**

**\$306**





# Period-certain annuity

**\$48,801**



**\$1,492**  
**3 year\***

**\$1,153**  
**4 year\***

**\$950**  
**5 year\***

**\$816**  
**6 year\***

**\$720**  
**7 year\***

**\$649**  
**8 year\***

**\$594**  
**9 year\***

\*Mandatory 20% federal withholding and optional 2% state tax withholding

# Period-certain annuity

**\$48,801**



**\$550**  
**10 year**

Be mindful of the different tax considerations

# Cash Balance disability benefit

Apply any time

Terminate all creditable service

Medical documentation

Disability must be total and permanent

# Retirement or disability distribution options

## Lifetime benefit options

Participant-Only Annuity  
100% Beneficiary Option

75% Beneficiary Option  
50% Beneficiary Option

## Period-certain annuity

3-10 years  
Direct payment  
Rollover

## Lump sum

Direct payment  
Rollover

# Cash Balance death benefits

## Before retirement

Lump-sum payment  
Period-certain annuity

## After retirement

Choice elected at retirement  
by participant

Have you filled out your *Recipient Designation* form?

# Cash Balance termination benefit

Lump-sum payment

Six months following termination

Once every five years

# **Additional Cash Balance Benefit Program considerations**

A 3D-rendered puzzle with one green piece in the center containing the text '40%'. The puzzle is composed of white pieces with a slight shadow, giving it a three-dimensional appearance. The green piece is the only one of its color and is positioned in the center of the frame. The text '40%' is written in a white, sans-serif font on the green piece.

40%



A 3D-rendered puzzle piece is the central focus, colored a vibrant green. It is surrounded by a field of white puzzle pieces, some of which are slightly offset, creating a sense of depth and movement. The green piece is positioned in the center-left of the frame. The text '80-90%' is printed in a clean, white, sans-serif font across the middle of the green piece. The lighting is soft and even, highlighting the interlocking edges of the puzzle pieces.

80-90%

A green puzzle piece is centered on a white puzzle background. The green piece contains the text 'Your goal - 40%' above a horizontal line, and 'Your gap' below the line.

Your goal

- 40%

---

Your gap



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# Consolidation of benefits

Converts Cash Balance service into Defined Benefit service credit

Must terminate all Cash Balance Benefit Program activity

Must be an active member of the Defined Benefit Program

Consolidation process can be lengthy

# Social Security



## Social Security, CalSTRS and You

Get the facts on two federal rules that may affect you

As a California public school educator, you do not contribute to Social Security, so you will not receive a Social Security benefit for your CalSTRS-covered employment when you retire.

If you or a spouse paid into Social Security through non-CalSTRS covered employment, two federal rules, the Windfall Elimination Provision and the Government Pension Offset, may be used in the calculation of your Social Security benefit. Social Security is a federal program, and neither CalSTRS nor the State of California has control over eligibility requirements or benefit calculations.

These rules affect only your Social Security benefit. Your CalSTRS retirement benefit will not change.



### Windfall Elimination Provision

Affects your Social Security benefit that is based on your earnings from other employment.

- May reduce your Social Security benefit, but it will not eliminate it.
- Reduces the income replacement ratio covered under the first component of the Social Security benefit formula, known as a bend point, to as low as 40%. If you paid Social Security taxes on substantial earnings for:
  - **Up to 20 years**—This provision reduces the 90% factor of the Social Security computation formula to 40%.
  - **21 to 29 years**—The 40% factor increases incrementally from 45% to 85%.
  - **30 or more years**—There is no reduction to your Social Security benefit.

The following example was created based on a member turning 62 in 2020 with average Social Security-covered earnings of \$2,000.



### Social Security substantial earnings

Social Security substantial earnings are defined each year. Here is a sampling:

1980	\$5,100
1990	\$9,525
2000	\$14,175
2010	\$19,800
2020	\$25,575

### What does this mean for me?

Use the calculators at the Social Security Administration's *Information for Government Employees* page to see how the formula will affect you. Go to [ssa.gov/gpo-wep](https://ssa.gov/gpo-wep) for more information, including links to calculators that can provide personalized estimates.

## Windfall Elimination Provision

May reduce but cannot eliminate your Social Security benefit.

## Government Pension Offset

Reduces and may eliminate your spousal, widow or widower Social Security benefit.



Contact the Social Security Administration for more information.

# Do Social Security offsets apply?

Cash Balance account

Defined Benefit account

Consolidated account

Refunded account

Contact Social Security for information regarding offsets pertaining to your specific

# Working after retirement



## Working After Retirement

### Know the rules

You can continue to receive your full CalSTRS service retirement benefit, with no earnings limitations, if you take a job outside the California public school system. This includes work in private industry, private schools, public schools outside of California, and the University of California or California State University system.

If you return to work after service retirement and perform retired member activities in the California public school system (prekindergarten through community college), including substitute teaching, as an employee, an independent contractor or an employee of a third party, you're subject to restrictions under state and federal law, including a separation-from-service requirement and a postretirement earnings limit. In addition, you cannot work in a classified position except, under certain circumstances, as a teacher's aide.



#### Separation-from-service requirement

Your retirement benefit will be reduced dollar for dollar by any compensation earned for performing retired member activities during the first 180 calendar days following your most recent retirement effective date, up to your benefit payable during that period.

There is a very narrow exemption from the separation-from-service requirement if you have reached normal retirement age, your appointment is required to fill a critically needed position, the governing body of your employer approved your appointment by resolution at a public meeting, you did not receive any financial inducement to retire, and your termination of service was not the cause of the need to acquire your services. Your employer must submit the required documentation to CalSTRS substantiating your eligibility for the exemption. CalSTRS must receive an exemption request and required documentation before you begin working.

**Cash Balance Benefit Program participants:** The separation-from-service requirement also applies to you if you're a Cash Balance Benefit Program participant.

- If you receive your retirement benefit as an annuity, your payments will be reduced dollar for dollar by any compensation earned from retired participant activities during the first 180 calendar days following your retirement.
- If you receive your retirement benefit as a lump-sum payment, in most cases your benefit will not be payable until 180 calendar days after the date you terminated employment. If you perform creditable service during this waiting period, your retirement will be canceled, and you will not receive your benefit payment. The waiting period may vary for participants who are subject to IRS rules for required minimum distribution. Contact us to learn more.

Please note, if you're a retired Defined Benefit Program member and return to work, you cannot contribute to the Cash Balance Benefit Program.



If you belong to another California public retirement system, depending upon the specific circumstances, you may be subject to earnings or hourly limitations under that system.

## Separation-from-service requirement

Benefit reduced dollar for dollar by the amount you earn in CalSTRS-covered employment during your first 180 calendar days of retirement.

## Defined Benefit Program members

If you return to work, you cannot contribute to the Cash Balance Benefit Program.



Members

Early career

Midcareer

Near retirement

Part-time educator

Know your benefits

Things to consider

Attend a webinar

Job and life changes

Understand your benefits

Benefits planning services

Videos and webinars

Tools and FAQs

Calculators

Teacher Talk profiles

Part-time educator

As a part-time educator, you have access to all the benefits CalSTRS offers and may have a choice of retirement plans. Your employer must offer the Defined Benefit Program and may also offer an alternative retirement plan such as the CalSTRS Cash Balance Benefit Program or Social Security. Contact your employer to determine your plan eligibility.



What is myCalSTRS?

myCalSTRS is your online resource to access and manage your personal information on file with CalSTRS.

Know your benefits

Whether you're just starting your career or you've been enjoying it for a while, we can help you understand your benefits and resources.

Part-time educator considerations

As a CalSTRS member, you participate in a hybrid retirement system consisting of traditional defined benefit, cash balance and voluntary defined contribution plans.

# *my*CalSTRS

View and update your account information

Send secure messages

Access your *Retirement Progress Report*

# Your Retirement Progress Report

Participant and program benefit information

Contributions and account balances

Employer reporting

Current recipient information

Log in to [myCalSTRS.com](https://myCalSTRS.com)

For assistance, call us at

1-800-228-5453

Monday-Friday 8 a.m. - 5 p.m.

# For more information

**Online  
resources**

Part-time educator  
webpage

*myCaSTRS*

*Retirement  
Progress Report*

**Benefits planning  
session**

Individual benefits  
planning session

**Attend a workshop or  
webinar**

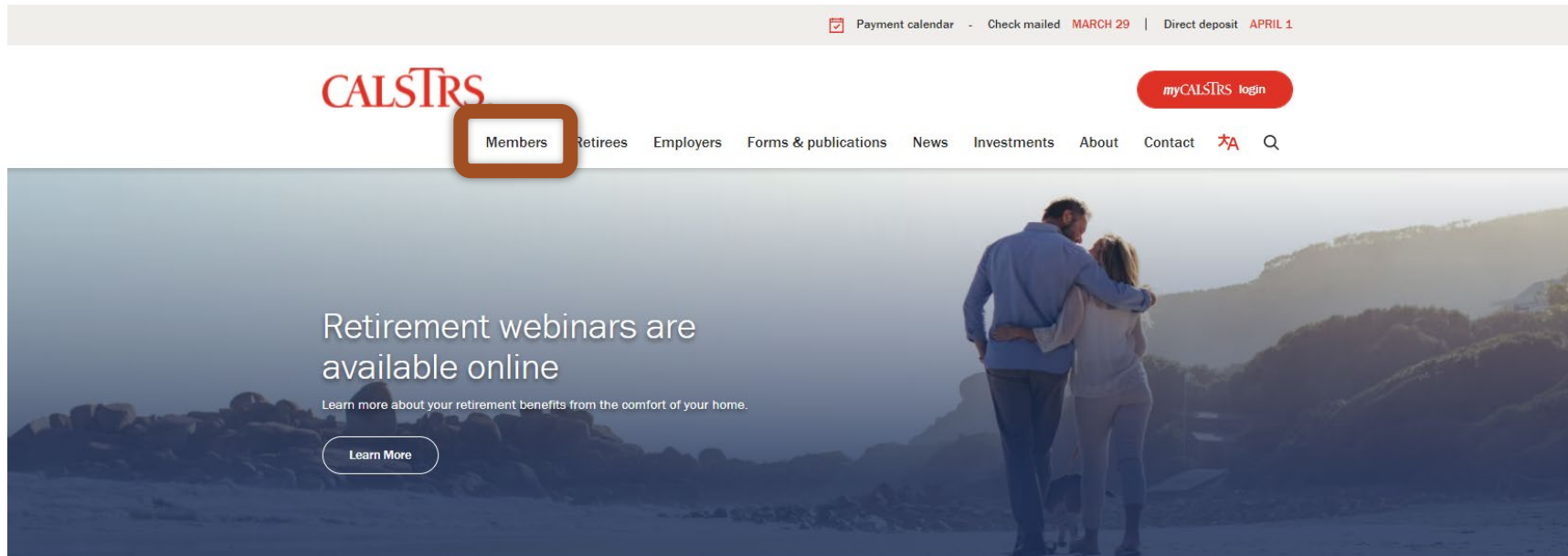
Part-time Educator

Consolidation of Benefits

Additional Income Sources  
for Part-time Educators

[calstrs.com/webinars](http://calstrs.com/webinars)

# Part-time educator webpage



## Top member resources

Three resource cards are displayed:

- Estimate your retirement**: Represented by a calculator icon.
- Retirement considerations**: Represented by a checklist icon.
- Job and life changes**: Represented by a shopping cart icon.

To the right is a banner for "Webinars: planning for" with a background image of hands playing a stringed instrument.

- Early career
- Midcareer
- Near retirement
- Part-time educator**
- Job and life changes
- Understand your benefits
- Benefits planning services
- Videos and webinars
- Tools and FAQs
- Calculators
- Teacher Talk profiles


Retirement  
available


Learn more about your retirement options for your home.

Learn More

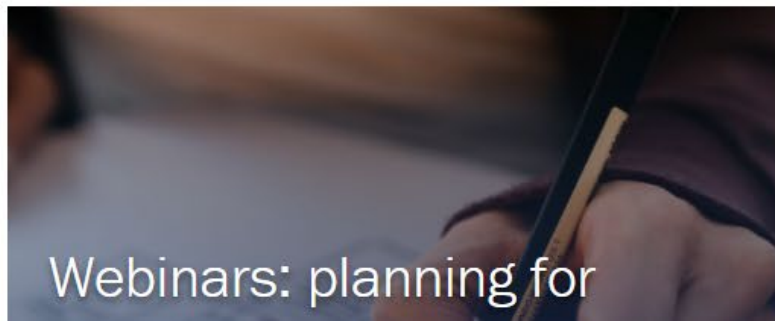


## Top member resources

  
Estimate your retirement

  
Retirement considerations

  
Job and life changes



## Members

Early career

Midcareer

Near retirement

### Part-time educator

Know your benefits

Things to consider

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**Questions?**

**CalSTRS.com**  
*myCalSTRS*

**800-228-5453**  
**Monday – Friday**  
**8 a.m. – 5 p.m.**

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