

Glossary of Terms Used in CalSTRS Retirement Progress Reports

Age Factor

The percentage of your final compensation that you will receive as a retirement benefit for every year of service credit. The age factor is based on your age on the last day of the month in which your retirement is effective. The maximum age factor is 2.4 percent.

CalSTRS 2% at 60:

The age factor at age 60 is 2 percent. The age factor gradually decreases to 1.1 percent at age 50 and increases to the maximum 2.4 percent at age 63. For example, if you retire at age 60 and have 20 years of service, you will receive 2 percent (your age factor at age 60) of your final compensation multiplied by the 20 years of service credit, or 40 percent of your final compensation (2 percent x 20).

CalSTRS 2% at 62:

The age factor at age 62 is 2 percent. The age factor gradually decreases to 1.16 percent at age 55 and increases to the maximum 2.4 percent at age 65.

CalSTRS 2% at 60

CalSTRS 2% at 62

The California Public Employees' Pension Reform Act of 2013 made significant changes to the benefit structure for Defined Benefit Program members and Cash Balance Benefit Program participants first hired to perform creditable service on or after January 1, 2013. As a result, CalSTRS has two benefit structures:

- **CalSTRS 2% at 60:** Members and participants first hired on or before December 31, 2012.
- **CalSTRS 2% at 62:** Members and participants first hired on or after January 1, 2013.

Educators who were members of a concurrent retirement system on or before December 31, 2012, and performed service in that system within six months of becoming a CalSTRS member are also under the CalSTRS 2% at 60 benefit structure, as are those who performed service that could be credited to the Defined Benefit Program that was subject to coverage under a different retirement system, including Social Security, on or before December 31, 2012.

The 2 percent refers to the age factor, or percentage of final compensation, that Defined Benefit Program members will receive as a

retirement benefit for every year of service credit. To receive an age factor of 2 percent, you must work until age 62 if you're under CalSTRS 2% at 62. The basic age factor for members under CalSTRS 2% at 60 is 2 percent at age 60.

Other benefit differences for CalSTRS 2% at 62 include a 36-month final compensation period (based on the highest average annual compensation earnable for 36 consecutive months regardless of years of service credit), lower compensation cap, no career factor, and a higher retirement age (you are not eligible to retire as early as age 50 with 30 years of service credit).

CalSTRS Pension2[®]

The CalSTRS voluntary defined contribution plan offers 403(b), 457(b), Roth 403(b) and Roth 457(b) plans for additional income in retirement. Select from a variety of investment options with low fees and expenses. To learn more, see [Pension2](#).

Career Factor

For members under the 2% at 60 benefit structure: An increase in the percentage of final compensation on which your Defined Benefit service retirement is based. If you retire with at least 30 years of earned service credit, 0.20 percent is added to the age factor up to the maximum age factor 2.40 percent, which is reached at age 61½ with the career factor. The career factor doesn't apply if you die before retirement unless you filed a preretirement option election with CalSTRS.

CalSTRS 2% at 62:

There is no career factor enhancement to the age factor.

Cash Balance Benefit Program

The CalSTRS Cash Balance Benefit Program is for educators hired to work part time. Your district may offer the Cash Balance Benefit Program as an alternative to Social Security, private plans and the Defined Benefit Program. Your eligibility to participate in the program is determined by your basis of employment, rather than the actual number of hours or days you work, and whether your employer offers the program. Your Cash Balance contributions are made through pre-tax payroll deductions. There are no fees or expenses. In addition to a retirement benefit, you're eligible for survivor and disability benefits.

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For more information about the Cash Balance Benefit Program, go to [CalSTRS.com/cash-balance-benefit-program](https://www.calstrs.com/cash-balance-benefit-program) or see the [Member Handbook](#).

Client ID

A CalSTRS randomly generated number used to identify members. CalSTRS uses it instead of your Social Security number to protect your identity.

Creditable Service

Specific employment activities, such as teaching, vocational or guidance counseling, mentoring, services related to school curriculum and certain administrative duties performed for an employer in a position that requires certification qualifications or minimum standards.

Current Year Excess Service and Enhancements

You can only earn up to one year of service credit in a school year, so 16 percent of your compensation for service that exceeds one full year is transferred into your Defined Benefit Supplement account at the close of the school year—8 percent from your member contribution and 8 percent from your employer. These contributions are not credited to the Defined Benefit Program. For CalSTRS 2% at 60 members, certain other payments, such as retirement incentives, are also credited to your Defined Benefit Supplement account.

Defined Benefit Account Activity

This section lists your contributions, plus interest earned, for your Defined Benefit account. Contributions are shown for your beginning balance, current fiscal year contributions, any prior year adjustments made by your employer and end-of-year totals. The end-of-year total is the amount you would receive if you were to forfeit rights to your benefit upon a separation of service by requesting a refund. Your member contributions are listed by taxed and tax-deferred contributions.

Taxed (or after-tax) contributions are those for which you already paid taxes. In general, you will not have any contributions in this field unless you redeposited or purchased permissive service credit with after-tax dollars.

Tax-deferred (or before-tax) contributions are those for which both state and federal income taxes are deferred until after you retire or take a

refund after ending your CalSTRS-covered employment.

Defined Benefit Supplement Program

The Defined Benefit Supplement Program is a cash balance plan for Defined Benefit Program members that provides an additional retirement benefit. For every dollar you and your employer contribute to the program, your account is credited accordingly. Your account earns a guaranteed annual interest rate and any additional earnings credits declared by the Teachers' Retirement Board. At retirement, you receive all the funds in your account. You and your employer make contributions on compensation earned for service performed in excess of one year of service credit and, for CalSTRS 2% at 60 members, limited-term payments and retirement incentives. From January 1, 2001, through December 31, 2010, 25 percent of your regular monthly Defined Benefit member contribution was also credited to your account.

CalSTRS 2% at 62:

You and your employer make contributions into this account on compensation earned for service performed in excess of one year, up to the compensation cap.

Defined Benefit Supplement Account Activity

This section lists contributions and interest earned in the Defined Benefit Supplement Program. These funds are paid to you when you begin to take a monthly benefit from the Defined Benefit Program, or six months after you terminate CalSTRS-covered employment and receive a refund of your Defined Benefit account contributions and interest. For more information, see the [Member Handbook](#).

Defined Benefit Supplement Account and Annuity Estimates

We use the information in your account to project your balance, generally at ages 55 and 60. If you have reached those ages, we use the next appropriate ages.

Disability and Survivor Benefit Coverage

This section defines your coverage. You have Coverage A if you were hired on or before October 15, 1992, and did not elect Coverage B during a special election held between October 1992 and April 1993. If you were hired after October 15, 1992, or switched during the special election, you have Coverage B. For more

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information about these coverages, see the [Member Handbook](#).

Electing a Retirement Option

When you're eligible to retire, you may make a preretirement election of an option to ensure a monthly lifetime income for one or more loved ones after your death. When you elect an option, your monthly benefit will be reduced from the Member-Only Benefit. The percentage of the reduction is based on the option you elect, your age and the ages of your beneficiaries when you elect the option. For more information, see the [Member Handbook](#).

Employer Details

Includes the information we've received from your employer regarding your employment in a CalSTRS-covered position.

Base Hours

Base hours are the number of hours you are required to work in one school year to earn one year of service credit in that position. For community college instructors and adult education instructors, base hour requirements for full-time and part-time instructors are different and must be at least the minimum time required by law. CalSTRS receives base hour information from your employer.

Excess Contributions

If you're a Defined Benefit member, you have a Defined Benefit Supplement account that provides additional savings for your retirement. If you earn compensation for service in excess of one year, your and most of your employer's contributions from your earnings in excess of one year, up to the compensation cap, will go into this account.

If you make contributions on earnings in excess of one year of service in a school year, you're eligible for a return of your contributions that exceed the 8 percent contribution rate for Defined Benefit Supplement compensation. Any excess contributions you made for the past school year are reported on your *Retirement Progress Report*.

CalSTRS will return any excess contributions to your employer. Your employer is responsible for returning your excess member contributions to you, less any authorized adjustments or tax withholding. CalSTRS will process the transactions in October, but it may take 30 days or more for the funds to be transferred to

employers. The timing of any excess member contributions returned to you by your employer will vary. Please contact your employer if you have questions.

Final Compensation

The highest average annual compensation earnable for service credit during a specified period of CalSTRS-covered paid employment.

For members under the 2% at 60 benefit structure, the period is 12 consecutive months if you have at least 25 years of service credit. Otherwise, the period is 36 consecutive months if you have fewer than 25 years of service credit.

For members under the 2% at 62 benefit structure, final compensation is based on highest average annual compensation earnable during any consecutive 36 months.

Hybrid Retirement System

CalSTRS administers a hybrid retirement system consisting of traditional defined benefit (Defined Benefit Program), cash balance (Defined Benefit Supplement and Cash Balance Benefit programs) and voluntary defined contribution (CalSTRS Pension2) plans. CalSTRS also provides survivor and disability benefits.

- **Traditional defined benefit plan:** The CalSTRS Defined Benefit Program is a traditional defined benefit pension. It's based on a formula, not on how much you contribute or how well CalSTRS investments perform. The formula is based on your years of service credit, age factor and final compensation.
- **Cash balance plan:** The CalSTRS Defined Benefit Supplement and Cash Balance Benefit Programs are cash balance types of defined benefit plans where employees and employers contribute fixed amounts and interest is credited at guaranteed annual rates. The Teachers' Retirement Board may also grant additional earnings credits for both plans when investment earnings exceed certain thresholds of what is necessary to meet liabilities. Retirement, disability, termination and death benefits are determined based on the total account balance. At retirement, you will receive all the funds in your account.

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- **Defined contribution plan:** A retirement plan in which the benefit depends on your contributions, investment gains or losses, and expenses. Benefits under defined contribution plans are not guaranteed. Pension2 is the CalSTRS voluntary defined contribution plan. For more information, visit [Pension2](#).

Inactive Member

A member who has contributions and interest remaining in their Defined Benefit account balance but who did not perform creditable service during the school year.

Longevity Bonus

A benefit enhancement that increases your monthly benefit if you had at least 30 years of qualified service credit on or before December 31, 2010. The bonus will be reduced by an option factor if you choose an option.

Monthly Member-Only Benefit Estimates

We project two possible retirement dates to help you plan your retirement. The Member-Only Benefit is usually the highest monthly benefit you can receive when you retire. This benefit does not include any reduction to provide a lifetime monthly benefit to someone after your death.

Modified Benefit Estimates

If you made a preretirement election of an option to provide a monthly CalSTRS benefit after your death, we project two possible retirement ages, similar to the monthly Member-Only Benefit estimates, but show the reductions resulting from the option you elected.

Ombudsman

A CalSTRS manager tasked with serving as an advocate for members of CalSTRS. The ombudsman receives complaints from school employees, members, employee organizations, the Legislature and the public regarding actions of CalSTRS employees. The ombudsman can be contacted at 916-414-1411.

One-Time Death Benefit Recipient

Your survivors may be entitled to a one-time death benefit after you die. The amount of this benefit depends on your coverage and whether you die before or after retirement. This section

describes your eligibility and lists any recipients you have named. For more information, see the CalSTRS [Member Handbook](#).

Option

A plan feature that allows you to distribute your retirement benefit over your lifetime and the lifetime of one or more persons or the beneficiary of a special needs trust. Electing an option reduces your monthly payment in order to cover the extension of benefits to other people after your death.

100% Beneficiary Option: Upon your death, the reduced benefit will be paid to your option beneficiary for life. If your option beneficiary dies before you, your benefit will be raised to the Member-Only Benefit amount.

75% Beneficiary Option: Upon your death, three-quarters of the reduced benefit will be paid to your option beneficiary for life. If your option beneficiary predeceases you, your benefit will be raised to the Member-Only Benefit amount.

50% Beneficiary Option: Upon your death, one-half of the reduced benefit will be paid to your option beneficiary for life. If your option beneficiary predeceases you, your benefit will be raised to the Member-Only Benefit amount.

Compound Option: Upon your death, the reduced benefit will be paid to one or more option beneficiaries for life and you will retain a portion of your Member-Only Benefit. The benefit paid to an individual beneficiary depends on the option and percent of the total benefit elected for that beneficiary.

Option Beneficiary

The person or persons or beneficiary of a special needs trust you name to receive a lifetime monthly benefit after your death. You must be eligible to retire to elect an option. There are additional guidelines for nonspouse option beneficiaries. For more information, see the [Member Handbook](#).

Option Factor

The percentage your monthly benefit will be reduced when you elect an option to provide a lifetime monthly benefit to a designated beneficiary after your death. The option factor is based on the option you elect, your age and the age of your beneficiaries at the time you elect an option.

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Prior-Year Contribution Adjustments

Includes prior-year information from your employer that we did not receive in time to include in last year's report.

Service Credit Activity

Accumulated period, in full and partial years, for which you earned creditable compensation and made contributions under the Defined Benefit Program. Service credit is one of the factors used to determine your eligibility for benefits under the program.

This information includes your balance at the start of the fiscal year, how much you earned in the current fiscal year and your ending balance.

Service credit cannot exceed 1.000 year in any one school year. If you earn more than 1.000 year of service in a year, your member contributions and your employer's contributions in excess of one year go to your Defined Benefit Supplement account.