

Planning for Retirement

When you are eligible to retire, you'll have important decisions to make, from determining when to retire to deciding if you want to provide a lifetime benefit to someone after you die.

In addition, be sure to get the facts on Social Security. If you qualify for Social Security through your spouse or other employment, your Social Security check may be smaller or you may get no check at all because of two federal rules: the Windfall Elimination Provision and the Government Pension Offset. Your CalSTRS retirement benefit will not be reduced or eliminated by these rules.

Deciding When to Retire

You can retire as early as age 50 with at least 30 years of service credit, or you can retire at age 55 with at least five years of service credit—or under the special circumstances of concurrent retirement with certain California public retirement systems.

If you took a refund and then reinstated, at least one year of your service credit must have been performed after your most recent refund.

Under the Heroes Earnings Assistance and Relief Act of 2008, time you spent in the military while a CalSTRS member is considered when determining your eligibility for a retirement benefit.

Choosing Your Retirement Date

You'll be officially retired as of the date you request on your *Service Retirement Application*. Your retirement date must be after your last day of service. Your age factor is based on how old you are on the last day of the month in which your retirement becomes effective. Consider carefully your retirement date. If it's not the first of the month, your first benefit payment will be prorated from your retirement date to the end of the month.

If you are unable to submit your application before your retirement date, you can backdate your retirement effective date to the day following the date you terminated your CalSTRS-covered position, but no earlier than January 1, 2012.

Retiring From More Than One Public Retirement System

If you are at least age 55 and eligible to retire from certain other California public retirement systems, you may retire with fewer than five years of CalSTRS service credit if you retire concurrently from both systems. To receive concurrent benefits, you must retire on the same day from both systems. Or you may retire on different dates as long as you perform no service creditable to either system between those dates.

CalSTRS may use the salaries for your service performed under the other retirement system to calculate your CalSTRS retirement benefit. However, if you perform creditable service with both retirement systems during the same pay period, CalSTRS is required by law to use your CalSTRS salaries for that pay period in the retirement benefit calculation.

You must submit your *Service Retirement Application* to CalSTRS before you'll receive a CalSTRS retirement benefit. You're responsible for submitting the application to CalSTRS—not your employer. You'll need to notify your employer that you intend to retire and complete any forms your employer requires. CalSTRS will not notify your employer of your retirement.

Take advantage of publications, workshops, benefits counselors and other resources to help you make informed retirement decisions.

The other public retirement systems in California are the:

- California Public Employees' Retirement System.
- San Francisco Employees' Retirement System.
- University of California Retirement System.
- Legislators' Retirement System.
- Systems established under the County Employees' Retirement Law of 1937. For a list of counties covered by this law, see the glossary, "County Employees' Retirement Law of 1937."

Be sure to check the retirement eligibility requirements for the other public systems.

Reduced Benefit Election

If you're at least age 55, but under age 60, and have at least five years of service credit, you can apply for retirement under the Reduced Benefit Election (formerly the Limited-Term Reduction Program). You will receive one-half of the monthly benefit amount calculated as if you were age 60. The reduced benefit will continue for the same number of months after age 60 that you received benefits before age 60. After that, your retirement benefit amount will be the amount you would have received had you retired at age 60.

If you previously retired for service or disability, or received a disability benefit, you are not eligible for the Reduced Benefit Election.

With the Reduced Benefit Election, annual benefit adjustments accrue. You'll receive the benefit payment increases when you receive the normal service retirement benefit.

Due to the initial reduction in your retirement benefit, talk to a CalSTRS benefits counselor or use the calculator at CalSTRS.com/calculators to estimate your monthly retirement benefit before electing this program. The *Reduced Benefit Election* form at CalSTRS.com has an example. Use your actual numbers to determine your approximate benefit reduction and the length of time you would receive the reduced benefit.

Reduced Workload Program

The CalSTRS Reduced Workload Program (also known as the Willie Brown Act) allows you to reduce your workload from full-time to part-time duties, defined as at least 50 percent of full time, for up to 10 years—normally the last 10 years before retirement. Participation is available only if your employer offers the program.

Both your and your employer's contributions will be paid based on the full-time earnable compensation, rather than your actual part-time earnings while participating in the program. In addition, your employer pays a higher contribution rate for you to participate, which is set each year by the Teachers' Retirement Board.

Because contributions are based on your full-time earnable compensation, you will receive full-time service credit while working less than full time. At retirement, your benefit will be calculated as if you continued to work full time, including determining your final compensation and service credit.

Eligibility

To be eligible for the program, you must:

- Be age 55 or older.
- Have at least 10 years of service credit.
- Have been employed to perform creditable service on a full-time basis for five years immediately before entering the program.

The agreement to reduce your workload must be in effect at the beginning of the school year.

After discussing the Reduced Workload Program with your employer and reviewing your qualifications, you must enter into a contractual agreement with your employer to participate in the program for the entire school year. You must enroll before the school year begins.

Consequences

If you do not work at least one-half of the time your employer requires for full time, your service credit for the year will be calculated on actual time worked.

For example, if you were employed 50 percent of full time and your pay was docked because you became ill and ran out of sick leave, you would not have performed creditable service for at least 50 percent of full time that year. Therefore, for that year, you would not be eligible to participate in the Reduced Workload Program but would earn service credit only for the time worked.

If you retire before the end of the school year, your contract under the Reduced Workload Program will be revoked, and you will receive service credit only for the part-time service you actually performed.

Retirement Incentive Program

If your school district offers the CalSTRS Retirement Incentive Program and you're eligible to retire, you can receive two additional years of service credit.

You must be eligible for service retirement and retire from CalSTRS within the time period specified by your employer to take advantage of the incentive.

The additional service credit given under the incentive program will not count toward eligibility for service retirement or the one-year final compensation and career factor benefit enhancements.

Your employer must pay for the additional service credit. In addition, your employer must fund the full two years of service credit—CalSTRS does not grant partial benefits.

You'll lose the ongoing increase in your benefit if you do any of the following:

- Become an active member again by returning to CalSTRS-covered employment (reinstate).
 - Receive unemployment within one year of the effective date of retirement.
 - Return within five years to any employment, including substitute teaching or working as a teacher's aide, with the school district that granted your incentive credit.
- Visit CalSTRS.com/calculators or meet with a CalSTRS benefits counselor to help you determine the potential boost to your retirement benefit.

Protecting Your Loved Ones Before You Retire

When you're eligible to retire, you may make a preretirement election of an option to provide a monthly lifetime income for another person or persons if you should die before retirement. When you elect an option, your monthly retirement benefit will be reduced from the Member-Only Benefit. The percentage of the reduction is based on the option you elect, your age and your beneficiary's age at the time you elect an option.

- See "Your Retirement Benefit," page 47, for a description of options and their effect on your monthly benefit.

If you make a preretirement election of an option and die before retirement, the monthly retirement benefit paid to your beneficiaries will be based on the reduced benefit that would have been paid if you had retired as of the date of death.

By making a preretirement election of an option, you will receive the highest option factor available to you on either your election date or your retirement date.

The example below illustrates the difference in benefits if you choose an option beneficiary before retirement or wait until retirement. Although your benefit will be reduced at retirement based on the option you choose, your reduced benefit may be slightly higher than if you wait until retirement to choose an option. Your option factor, or the amount your benefit will be reduced, is based on your age and your beneficiary's age at the time of election.

Effect of a Preretirement Option Election

Choosing a Preretirement Election of an Option

- Member retires at age 60
- 100% Option Beneficiary is also age 60
- Both member and option beneficiary were age 55 when preretirement option was chosen

Member-Only Benefit		\$ 1,963.89
Option Factor	x	.9158
Member's Reduced Benefit		= \$1,798.53

Choosing an Option at Retirement

- Member retires at age 60
- 100% Option Beneficiary is also age 60

Member-Only Benefit		\$1,963.89
Option Factor	x	.8884
Member's Reduced Benefit		= \$1,744.72



Advantages and Disadvantages of Preretirement Elections

Be sure to consider the advantages and disadvantages of choosing a preretirement election of an option.

Advantages

If you die before retirement and you made a preretirement election of an option, your beneficiary will receive a lifetime monthly retirement benefit. The benefit begins immediately after your death, regardless of the ages of your beneficiaries. In most cases, the reduced benefit will be higher than if you elected an option at the time of retirement.

If you become disabled after making a preretirement election of an option and you have a disability benefit under Coverage A, you may retain the option election to provide a monthly benefit to your option beneficiary.

The career factor does not apply if you die before retirement without a preretirement election of an option on file at CalSTRS.

Disadvantages

If you cancel or change your preretirement election of an option before retiring, your retirement benefit may be reduced for life.

If your option beneficiary dies before you retire, the election automatically will be canceled and your retirement benefit may be permanently reduced.

You can elect a new beneficiary if you cancel your previous election or your beneficiary dies before you retire. You would have to pay an assessment. Your benefit amount would be reduced again based on your new beneficiary's age, your age and the option you elect.

Electing a Preretirement Option

To elect a preretirement option:

1. Complete the *Preretirement Election of an Option* form or the *Preretirement Compound Election Option* form, available at CalSTRS.com or myCalSTRS.
2. Your spouse or registered domestic partner must sign your form or you must complete and return the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form with your preretirement election. If your spouse or partner does not sign the form or if we do not receive the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form, your preretirement election will not be accepted and your election will not be effective until the requirements are met.

To be valid, CalSTRS must receive your election form within 30 days of the date you signed it, and all requirements must be met.

Date of Birth Verification

CalSTRS may request verification of your or your option beneficiary's date of birth. Acceptable documentation for verification includes clear, unaltered photocopies of one of the following:

- Certified birth record
- Passport ID page
- Certain military IDs

Your preretirement election is effective on the date CalSTRS receives your completed form.

If you're thinking of canceling your preretirement election of an option, electing a different option or changing your option beneficiary, meet with a CalSTRS benefits counselor to discuss the possible effects a change would have on your retirement benefit.

If any name has been changed from the name shown on the record of birth, a copy of the marriage certificate or court order documenting the change is required. If you do not have any of these records, contact CalSTRS for assistance.

Canceling a Preretirement Election of an Option

If you cancel your preretirement election of an option for any reason, an assessment may apply and will be calculated at retirement. The assessment will reduce your monthly retirement benefit for life.

A preretirement election of an option is canceled automatically if:

- You take a refund.
- Elect a new option or a new option beneficiary.
- Your option beneficiary predeceases you.

CalSTRS will calculate the assessment factor as of the cancellation date of your preretirement election based on:

- The option you elected.
- The amount of time your preretirement option election was in effect.
- Your age at the time of election and cancellation.
- Whether you have Coverage A or Coverage B.
- Whether your option beneficiary is your spouse or registered domestic partner.

Your spouse or partner must sign the cancellation of a preretirement election of an option or you must complete and return the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form with the request for cancellation. If your spouse or partner's signature is not provided or if we do not receive the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form, the cancellation will not be accepted, and it will not be effective until the requirements are met.

Your Retirement Benefit and Social Security

CalSTRS members do not pay into Social Security, so you will not receive Social Security benefits for your CalSTRS-covered position.

If you or your spouse qualifies for Social Security from other employment, your monthly Social Security check may be smaller or you may not receive a Social Security check at all because of two federal rules: the Windfall Elimination Provision and the Government Pension Offset.

Your CalSTRS retirement benefit will not be reduced by these rules. In addition, any CalSTRS benefits paid to your beneficiaries will not affect their Social Security benefits.

Your eligibility for Medicare will not be affected.

Windfall Elimination Provision

The Windfall Elimination Provision affects your Social Security benefits that are based on your earnings. The rule may reduce your Social Security benefit, but it will not eliminate it.

Social Security benefits are based on your average monthly earnings over a 35-year period, adjusted for inflation. When Social Security determines your benefits, it separates your average earnings into three amounts and multiplies the amounts using three different factors.

For example, if you turned 62 in 2012, the first \$749 of your average monthly earnings would be multiplied by 90 percent, the next \$4,517 would be multiplied by 32 percent, and any remainder by 15 percent.

If you're also eligible for a CalSTRS retirement benefit, the 90 percent factor is reduced to 40 percent. The exact amount of the reduction is based on your years of substantial earnings covered under Social Security and adjusted every year. In 2012, the maximum reduction in Social Security benefits under the Windfall Elimination Provision is \$374.50 per month if you were age 62 in 2011.

If you earned at least 40 Social Security credits through other employment, you should apply for Social Security, even though you may receive a reduced Social Security benefit.

You're exempt from the Windfall Elimination Provision if you were eligible to retire from CalSTRS before January 1, 1986, or if you have 30 or more years of substantial earnings under employment covered by Social Security. In 2012, substantial earnings were \$20,475 annually. With 21 to 29 years of substantial earnings, the 90 percent factor is reduced on a sliding scale beginning at 45 percent for 21 years up to 85 percent for 29 years.

Government Pension Offset

The Government Pension Offset affects your spousal, widow or widower Social Security benefits that are based on your spouse's earnings.

Under this rule, your Social Security benefit will be reduced by two-thirds of your CalSTRS retirement benefit. If two-thirds of your CalSTRS benefit exceeds the amount of your spousal benefit from Social Security, you will not receive a Social Security check. If your Social Security spousal benefit is higher than two-thirds of your CalSTRS benefit, you'll receive the difference.

If you were eligible for CalSTRS benefits between December 1982 and June 1983 and were entitled to the Social Security spousal benefit before December 1977, you're exempt from the Government Pension Offset.

Due to the complexity of Social Security law and the formulas used in determining Social Security benefits, contact a Social Security representative to determine if these provisions or exceptions apply to your individual situation. In addition, your benefit estimate from Social Security may be overstated because non-Social Security pensions such as CalSTRS are not considered in the estimate.

- See the online calculators at socialsecurity.gov/retire2/qualify.htm. Or contact the Social Security Administration at socialsecurity.gov or 800-772-1213.
- Also see "Get the Facts on Social Security," page 10

Health Insurance

CalSTRS does not provide health or dental insurance coverage. Under California Education Code sections 7000-7008, school districts, community colleges and county offices of education must offer retiring CalSTRS members and their spouses or registered domestic partners the opportunity to continue their medical and dental insurance at their own cost.

Each district has its own policies. Coverage may also be part of your union contract, so your benefits may differ from others in your district. Contact your employer to learn if you will have any health benefits in retirement. Consider setting aside extra money now for your future health benefits.

If you're planning to retire soon, consider any potential health benefit cost savings if you were to retire by June 30, 2012. The Medicare Part A premium is \$450 per month in 2012.

Health Insurance Premium Deductions

CalSTRS can deduct health insurance premiums from your monthly retirement benefit and forward the premium to your insurance carrier, if your carrier has an agreement with us and your carrier submits the appropriate paperwork. Contact your employer's Human Resources to learn more.

Medicare Eligibility

While you do not pay into Social Security, you do pay the Medicare tax of 1.45 percent of gross earnings if you were hired after April 1986. Therefore, you may be eligible for premium-free Medicare Part A coverage on your own or through your spouse's employment.

Contact Social Security at 800-772-1213 to determine if you're eligible for premium-free Medicare Part A.

➤ Visit medicare.gov

CalPERS Long-Term Care Program

As a CalSTRS member, you and certain family members may be eligible for the CalPERS Long-Term Care Program. Currently, however, the program is not accepting new applications.

CalSTRS Medicare Premium Payment Program

The CalSTRS Medicare Premium Payment Program pays the Medicare Part A hospital insurance premiums for eligible retired members who otherwise would be responsible for paying their own monthly premiums. Like many other pension systems, CalSTRS faces a funding shortfall. Therefore, the Teachers' Retirement Board cannot currently offer this program to members who retire after June 30, 2012.

If you started CalSTRS-covered employment before April 1, 1986, you were not initially subject to the Medicare tax. If you switched employers after that date, or if your employer held a Medicare Division election and you voted "yes," you began paying the Medicare tax. If you or your spouse paid the Medicare tax for 10 or more years, you most likely qualify for premium-free Medicare Part A on your own.

If you don't qualify for premium-free Medicare Part A, CalSTRS will pay your Part A premium directly to Medicare if you meet all of the following requirements:

- Are retired and receiving a monthly CalSTRS benefit (or receiving a CalSTRS disability benefit) from which Medicare premiums can be deducted.
- Retire before July 1, 2012.
- Are age 65 or older.
- Are enrolled in both Medicare Part A and Part B.

Your eligibility also depends on when your district held a Medicare division election. If your district completed a Medicare division election before January 1, 2001, your voting results will not be used to determine your eligibility. If your district completed or conducted a Medicare election after January 1, 2001, and before June 30, 2012, you must retire during or after the 10-day Medicare election period. In addition, if you're less than 58 years of age at the time of the election, you must have elected to be covered by Medicare. Check with your employer to determine if and when it conducted a Medicare election, or if it plans to conduct one.

CalSTRS will mail you an information packet about three months before your 65th birthday if you retire before age 65, or the month after you retire at age 65 or older.

Under federal law, you must also enroll in Medicare Part B when you turn age 65 and participate in the CalSTRS program. You will have to pay the Medicare Part B premium. At your request, CalSTRS can deduct Medicare Part B premiums from your monthly retirement benefit and forward the payment to the Centers for Medicare and Medicaid Services, the federal agency that administers Medicare. You have this option even if CalSTRS does not pay your Medicare Part A premiums. CalSTRS does not have a program for Medicare Part D.

With the adoption of a full funding plan, the board may elect to extend the program in the future. If this happens, the program would most likely become available to those who retire after June 30, 2012.

- See the eligibility tool at CalSTRS.com (select *Members*, then *Medicare Premium Payment Program*) for more information.

Meet With a Benefits Counselor

To help you prepare for your CalSTRS retirement, attend a retirement readiness group counseling session or workshop, then meet with a CalSTRS counselor.

Whether you schedule a face-to-face or telephone appointment, you'll receive a confirmation letter before your appointment date. Your counselor will research your employment history and prepare customized benefit estimates. If you schedule a telephone appointment, you'll receive a packet of information, along with your benefit estimates, ahead of time.

You may find it helpful to review your *Retirement Progress Report*, the *Your Retirement Guide* booklet and the *Member Handbook* beforehand to better understand your retirement benefit calculation and your retirement timeline.

Scheduling a Counseling Session

Try to schedule your appointment at least four to six months before you plan to retire. The peak months for retirement are April–July, so you may find it easier to schedule an appointment during nonpeak months.

You can schedule a counseling session a variety of ways—by calling your nearest CalSTRS counseling office directly, using the member self-scheduling feature on *myCalSTRS*, or calling 800-228-5453. Be prepared to provide:

- Your personal information, including your Client ID or Social Security number.
- Your projected retirement date.
- Your unused sick leave days and the number of days in your contract.
- Your option choice and the birth date of your option beneficiary, if you are interested in electing an option.



Attending a Counseling Session

Each appointment takes about one hour. Your counselor will explain your retirement benefit estimates, review the retirement forms and answer your questions.

You may find it helpful to have the following items with you for your counseling session:

- Your last paycheck statement, unused sick leave days and the number of days in your contract.
- Your most recent *Retirement Progress Report*.
- Your Social Security annual statement, if you are eligible for Social Security benefits.