Welcome to CalSTRS
Benefits and Services for Full-Time and Part-Time Educators
For 100 years CalSTRS has provided retirement security for generations of California educators, never missing a payment.

Despite prudent money management, CalSTRS has a projected funding shortfall created by the global economic downturns of the last decade. Currently CalSTRS has assets to pay benefits through the early 2040s.

Only the Legislature and the Administration have the authority to set new rates. They are now in focused discussions following the recent passage of Senate Concurrent Resolution 105, which establishes a framework to assist legislators in securing the plan’s long-term sustainability.

We are hopeful legislation will be enacted in the current session. If the Legislature doesn’t adopt a funding solution, the state—as plan sponsor—would be responsible for ensuring your benefits are paid. Working together, we can solve the funding shortfall. In any case, your benefits will be paid.

Keep current at CalSTRS.com/funding.

On Our Cover:

Rebecca is a 7th grade English teacher at a middle school in Southern California. She began her career as a high school English teacher, but after giving middle school a try, found she adored “tweenagers.” On any given day in her classroom, you might find literary analysis, music, theatrics, cartooning, mural painting, debates or memoir writing. In 2012 Rebecca was named the National Teacher of the Year and awarded the crystal apple by President Obama.
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CalSTRS is governed by the Teachers' Retirement Law, available at CalSTRS.com. If there is a conflict between the law and this booklet, the law prevails.
myCALSTRS

Access Your Information on myCALSTRS

myCALSTRS offers simple, secure and convenient access to your accounts and CalSTRS forms. Start at CalSTRS.com to take advantage of these services:

1. Keep your mailing and email addresses and phone number current.
2. View your account balances.
3. Name and update your one-time death benefit recipient.
4. Ask questions and receive prompt, secure answers.
6. Complete and submit forms online.

View the self-paced, interactive online registration guide on myCalSTRS.

CalSTRS Now Mobile Friendly

1. Easier to read and navigate
2. Convenient features like “click to call”
3. Designed for smartphones

Visit CalSTRS.com from wherever you are.
Welcome to CalSTRS

CalSTRS provides retirement, disability and survivor benefits to California’s public school educators and their families.

If you’re a full-time educator, you are a member of the CalSTRS Defined Benefit Program. If you’re a part-time educator, you can choose the Defined Benefit Program, or an alternative retirement plan such as the CalSTRS Cash Balance Benefit Program, if your employer offers the program.

CalSTRS Pension2 offers 403(b), 457 and Roth 403(b) investment plans with low fees and expenses for additional income in retirement.

Your Retirement Income

The median CalSTRS retirement benefit replaces about 60 percent of a member’s salary. You’ll need to close any gap between your income and your retirement benefit with savings and investments, such as CalSTRS Pension2 plans.

See page 10 to learn more.
Your income in retirement is a shared responsibility between CalSTRS and you.

CalSTRS administers a hybrid retirement system consisting of traditional defined benefit, cash balance and voluntary defined contribution plans:

- **Traditional defined benefit plan**: Your CalSTRS monthly retirement benefit is a defined benefit pension based on a formula: 
  \[ \text{service credit} \times \text{age factor} \times \text{final compensation} \]

- **Cash balance plan**: Your CalSTRS Defined Benefit Supplement is a cash balance plan. Your contributions and your employer’s contributions earn a guaranteed annual interest rate. All the funds in your account are yours at retirement.

- **Defined contribution plan**: CalSTRS Pension2 offers 403(b), 457 and Roth 403(b) plans for additional income in retirement. Contribute to your tax-advantaged account through paycheck deductions. The amount you have at retirement depends on your contributions, investment gains or losses, and expenses.
CalSTRS Defined Benefit Program

If you’re a full-time California public school preK–12 teacher, community college instructor or public school administrator, you are a member of the Defined Benefit Program. If you’re a part-time or substitute educator, you may choose to be a member of the Defined Benefit Program or an alternative program.

With the passage of the California Public Employees’ Pension Reform Act of 2013, CalSTRS now has two benefit structures:

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

The 2 percent refers to the percentage of your final compensation, also known as the age factor, you’ll receive as a retirement benefit for every year of service credit if you retire at the indicated age. There are several other differences under the two benefit structures which are noted below.

Your Retirement Benefit

When you have five years of service credit, you are entitled to a lifetime monthly benefit when you retire. Your benefit is based on a formula set by law, not on how much you contribute:

\[ \text{service credit} \times \text{age factor} \times \text{final compensation} \]

You can choose to provide a lifetime monthly benefit to someone after your death. If you choose an option beneficiary, your retirement benefit will be reduced.

Service Credit

Service credit is the number of school years, including partial years, you have worked and paid into CalSTRS:

- You earn service credit every day you work or are on paid leave.
- You can earn up to 1.00 service credit for every year you teach. If you work less than full time, your service credit for the year may be less than 1.00.

If you perform additional duties and earn extra service credit, your CalSTRS contributions and most of your employer’s contributions from that extra service, up to the applicable compensation cap, will go into your Defined Benefit Supplement account.

Age Factor

**CalSTRS 2% at 60**: The age factor is 2 percent at age 60, gradually decreasing to 1.1 percent at age 50 and increasing to a maximum of 2.4 percent at age 63. If you qualify for the career factor benefit enhancement by having at least 30 years of service credit, you’ll reach the top age factor at age 61 and six months.

**CalSTRS 2% at 62**: The age factor is 2 percent at age 62, gradually decreasing to 1.16 at age 55, and increasing to 2.4 percent at age 65. There is no career factor enhancement.

Ways to Increase Service Credit

The more service credit you have at retirement—earned or purchased—the greater your CalSTRS benefit. You may buy service credit for:

- Eligible service in out-of-state or foreign public schools, the military, Peace Corps, Job Corps, maternity or paternity leave, sabbatical leave and leave approved under the federal Family and Medical Leave Act and the California Family Rights Act.
- Nonmember service for part-time or substitute service before you were a CalSTRS member.

It costs less to buy service credit earlier in your career than later.

› See *Purchase Additional Service Credit* at CalSTRS.com.
Final Compensation

CalSTRS 2% at 60: Final compensation is based on your highest three consecutive school years of annual salary if you have fewer than 25 years of service credit, or your highest 12 consecutive months of average annual salary if you have 25 or more years of service credit.

CalSTRS 2% at 62: Final compensation is calculated using your highest annual salary for three consecutive school years, regardless of your years of service credit.

Eligibility to Retire

CalSTRS 2% at 60: You can retire as early as age 50 with at least 30 years of service credit, or age 55 with at least five years of service credit—or under the special circumstances of concurrent retirement from another public retirement system in California.

CalSTRS 2% at 62: You can retire as early as age 55 with at least five years of service credit—or under the special circumstances of concurrent retirement.

Compensation Cap

CalSTRS 2% at 60: The compensation limit that can be counted toward your CalSTRS benefit is $255,000 for 2013 if you first became a member on or after July 1, 1996. Creditable compensation is 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: The limit on creditable compensation that may be counted toward your CalSTRS retirement benefit formula is $136,440 for 2013. This cap is adjusted annually. Only compensation paid regularly in cash under a publicly available pay schedule is considered creditable compensation.

Catch Our Member Videos Online

Our three-minute videos are a quick way to learn more about your benefits. Topics include:

- Introduction to CalSTRS
- The Gap
- Understanding the Formula
- The Defined Benefit Supplement Program
- Beneficiary Options

CalSTRS.com/multimedia
Retirement Contributions
CalSTRS pays retirement benefits using investment income and contributions, though benefits are not based on the value of those contributions.

Contributions
• Under CalSTRS 2% at 60, you contribute 8 percent of your earnings toward your retirement benefit. Under CalSTRS 2% at 62, you contribute 50 percent of the normal cost of your retirement plan. The contribution rate for fiscal year 2012–13 is 8 percent.
• Your employer contributes an amount equal to 8.25 percent of your salary to help pay benefits.
• The State of California currently contributes 2.791 percent of the annual earnings of all members.
• Your contributions and your employer’s contributions earn interest.

Your Survivor and Disability Benefits
Depending on your years of service credit and when you die—before or after retirement—your survivors could receive a monthly benefit, or a refund of the balance in your account and a one-time death benefit.

The basic disability benefit is 50 percent of your final compensation. The maximum disability benefit, including benefits for eligible dependent children, is 90 percent of your final compensation.

Don’t Miss Out—Keep Your Address Current
Be sure CalSTRS has your current mailing and email addresses and phone number so you don’t miss important communications from us. Update your addresses online using your myCalSTRS account or complete the Address Change Request form, available at CalSTRS.com.

What If You Leave Teaching?
You can keep your money with CalSTRS if you leave education or you can request a refund. Even if you think you may not return to teaching, taking a refund may not make financial sense.

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’re age 55 if you have at least five years of service credit—or under the special circumstances of concurrent retirement with certain California public retirement systems.

Consequences of cashing out include:
• You’ll no longer be a member of CalSTRS.
• You will give up all rights to your retirement benefit as well as survivor and disability benefits unless you return to CalSTRS-covered employment.
• Your refund may be subject to additional federal and state taxes if you leave CalSTRS-covered employment, take your refund before age 59½ and do not roll over your funds to a qualified retirement plan.
• If you take a refund, it’s expensive if you return to teaching and want to buy back your service credit. You cannot withdraw employer contributions.

See Refund: Consider the Consequences at CalSTRS.com.
Your Defined Benefit Supplement Account

As a Defined Benefit member, you may have a Defined Benefit Supplement account that provides additional savings for your retirement.

If you earn more than one year of service credit in a school year, your contributions and most of your employer’s contributions from your earnings in excess of one year, up to the applicable compensation cap, will go into this account. You can build your account by taking on extra pay assignments such as summer school or intersession, yearbook editor or band director.

When you retire, you’ll receive your CalSTRS retirement benefit and your Defined Benefit Supplement funds.

Important Things to Consider

Social Security, CalSTRS and You

CalSTRS members do not contribute to Social Security, so you will not receive Social Security benefits for your CalSTRS-covered employment. If you expect to receive a Social Security check through your spouse or other employment, two federal rules—the Windfall Elimination Provision and the Government Pension Offset—could leave you with a smaller check or no check at all. Your CalSTRS retirement benefit will not be reduced by these rules.

See Social Security, CalSTRS and You at CalSTRS.com.

Health Insurance in Retirement

CalSTRS does not provide health benefits. Your health benefits depend on your district’s agreement with your employee bargaining unit. Ask your employer if you have health benefits in retirement. Many retired educators have to contribute to or pay their own health insurance costs. Consider setting aside extra money now for your future.

You and your employer each pay 1.45 percent of your wages toward Medicare, the federal health insurance program for people age 65 and older. By paying this tax, you earn eligibility for Medicare.
Your Retirement Progress Report

Keep up on your CalSTRS account and service credit balances by reviewing your Retirement Progress Report each year. Your new report is available online on myCalSTRS in mid-September and mailed to you in November.

Your report summarizes:

- The service credit you earned the previous year.
- Your total accumulated service credit.
- The name of your one-time death benefit recipient.
- Accumulated contributions and interest in your Defined Benefit and Defined Benefit Supplement accounts.

If you believe there’s a discrepancy in your report, do not wait to correct errors. Contact your employer immediately.

If current legislation passes, your report will be available exclusively online on myCalSTRS as early as 2014, unless you request to continue receiving it by mail by opting out, as part of our ongoing efforts to conserve natural resources and reduce costs. 2013 reports will be available by mail and online. Keep current at CalSTRS.com.
CalSTRS Pension2

CalSTRS Pension2 is CalSTRS' voluntary defined contribution plan. In partnership with TIAA-CREF, Pension2 offers 403(b), 457 and Roth 403(b) plans for additional retirement savings.

CalSTRS Pension2:
• Complements your CalSTRS retirement benefit.
• Features low fees and expenses, so more of your money works for you.
• Offers tax-advantaged contributions and a variety of investment plans.
• Provides objective advice and planning services at no additional cost.

Easy Choice Portfolios
Don’t have time or the experience to research your plan options? One of the Pension2 Easy Choice portfolios may be right for you. The ready-made diversified portfolios combine risk tolerance and retirement target dates to simplify your investment decisions.

Build Your Own Portfolio
If you prefer to build your own portfolio, you can choose from more than 20 investment funds to develop a portfolio that matches your time horizon and tolerance for assuming risk.

Invest sooner rather than later. That’s the top recommendation from a poll of California educators aged 40 to 49 when asked what retirement advice they would give their younger colleagues.

Start now, invest regularly and your money can work for you.
The Power of Time and Money

Let’s say you contribute $100 a month to your 403(b) account directly from your paycheck. If your account averages a 7 percent rate of return annually, after 20 years you could have $52,093. If you increase your monthly contribution to $300 a month, your savings could grow to $156,278—an increase of $104,185. An added benefit of tax-deferred contributions: Your $300 investment may reduce your paycheck by only $173.*

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*This hypothetical illustration assumes a combined 37% state and federal tax rate. It’s not meant to represent the performance of any investment product and should not be used to predict investment performance. Any taxes and expenses associated with an actual investment are not reflected. While taxes are paid when funds are withdrawn, investors are often in a lower tax bracket at retirement.

**CalSTRS Pension2 does not guarantee any rate of return on investments.**

Start a 403(b) or 457 Account Now

When it comes to investing for the life you want in retirement, it’s never too early to start. One of the smartest ways is to invest in a 403(b), 457(b) or IRA tax-advantaged account.

Already saving? Consider increasing your monthly contribution.

Why you need to start now:

1. **The power of time and money.**
   With compound interest, or compounding, the interest you earn on your original investment is added to your original contribution, so that you earn interest on your total balance—your original investment plus all previous interest earned and any additional contributions.

2. **You’ll have more time to take risks.**
   The earlier you start, the longer you’ll have to weather financial downturns and reap the benefits of strong economic times.

3. **You’ll earn money by saving money.**
   You’ll defer the taxes you pay on the money and get more savings for your contribution dollars.

The Power of Time and Money

Let’s say you contribute $100 a month to your 403(b) account directly from your paycheck. If your account averages a 7 percent rate of return annually, after 20 years you could have $52,093. If you increase your monthly contribution to $300 a month, your savings could grow to $156,278—an increase of $104,185. An added benefit of tax-deferred contributions: Your $300 investment may reduce your paycheck by only $173.*
CalSTRS Cash Balance Benefit Program

The Cash Balance Benefit Program is a retirement plan that employers may choose to offer their part-time educators as an alternative to participating in the Defined Benefit Program.

Your Retirement Benefit
When you become a Cash Balance participant, you qualify for a retirement benefit when you reach age 55 and are no longer performing creditable service.

Your retirement benefit is the amount of money in your Cash Balance account. If you have less than $3,500, you must take a lump sum. If you have more than $3,500, you can receive a monthly benefit over a specific period of time or over your lifetime and, under some circumstances, the lifetime of your beneficiary.

Your Contributions
Your employer must contribute at least 4 percent of your salary, and you typically contribute 4 percent, though your contribution rate may be collectively bargained with your employer. Contributions earn interest.

Your Disability and Survivor Benefits
Your disability benefit is the sum of your contributions, interest and additional earnings credits in your and your employer’s accounts. Your survivors usually will receive a lump-sum distribution of your and your employers’ contributions, accrued interest and any additional earnings credits. This amount is paid to your designated beneficiaries.

As a part-time educator, you may have a choice of retirement plans. Your employer must offer the Defined Benefit Program and may offer an alternative program such as the Cash Balance Benefit Program.
Part-Time Educators—
Choosing the Defined Benefit Program or an Alternative Plan

As a part-time educator, you may have a choice of retirement plans—the Defined Benefit Program and an alternative program such as the Cash Balance Benefit Program. Contact your employer to determine your plan eligibility.

In most cases, you can continue as a Cash Balance participant if you move to another school district that offers the program and you continue to work part time. If you become a member of the Defined Benefit Program and are no longer contributing to the Cash Balance program, you may transfer your Cash Balance funds into the Defined Benefit Program. You’ll receive Defined Benefit service credit for your previous Cash Balance service.

You may choose to become a Defined Benefit Program member at any time during your career.

Choose the Plan That Works Best for You

Choose the CalSTRS Defined Benefit Program if you:

• Plan to work as an educator long enough to earn a benefit. When you have five years of service credit, you’re entitled to a lifetime defined benefit pension. This could take up to 10 years of half-time employment.

• Want a monthly, guaranteed lifetime benefit at retirement that is based on a set formula and not on your contributions.

• Are comfortable contributing 8 percent of your pay toward your retirement.

Choose the CalSTRS Cash Balance Benefit Program if you:

• Want a program that provides immediate vesting.

• Want a lump-sum payment or a lifetime monthly retirement benefit based on contributions credited to your account, with a guaranteed interest rate.

• Are comfortable with the contribution rate, typically 4 percent of your salary, depending on your local bargaining agreement. Your employer must contribute an amount equal to at least 4 percent of your salary.

Questions to Ask

If your employer offers an alternative program to the Cash Balance program, ask:

• Does the plan offer a monthly retirement benefit for life, or is it a non-lifetime benefit based on contributions and interest?

• What is the contribution rate? Is it matched by your employer?

• Is there a vesting requirement?

• Does the program charge administrative fees? (CalSTRS programs do not charge administrative fees.)

• Is there a guaranteed annual interest rate?

• Does the plan have a record of sound investment experience?

• How long do you have to wait to receive your funds?
We’re Here for You

CalSTRS offers services and information for every stage in your career:

• Your annual Retirement Progress Report, which provides a summary of your CalSTRS accounts and service credit.
• Convenient online services and access to your account information with myCalSTRS.
• Customer service by email, phone or letter.
• Benefits counselors to help you understand your benefits and more.
• Three-minute member education videos and publications.
• Benefit and retirement planning workshops.
• CalSTRS Pension2 investment plans with low fees and expenses.
• Side-by-side investment option comparisons at 403bCompare.com.

Find the CalSTRS Member Handbook at CalSTRS.com.