



# CaSTRS Fundamentals

**CALSTRS** CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM



**CalSTRS is with you  
throughout your  
career and retirement**

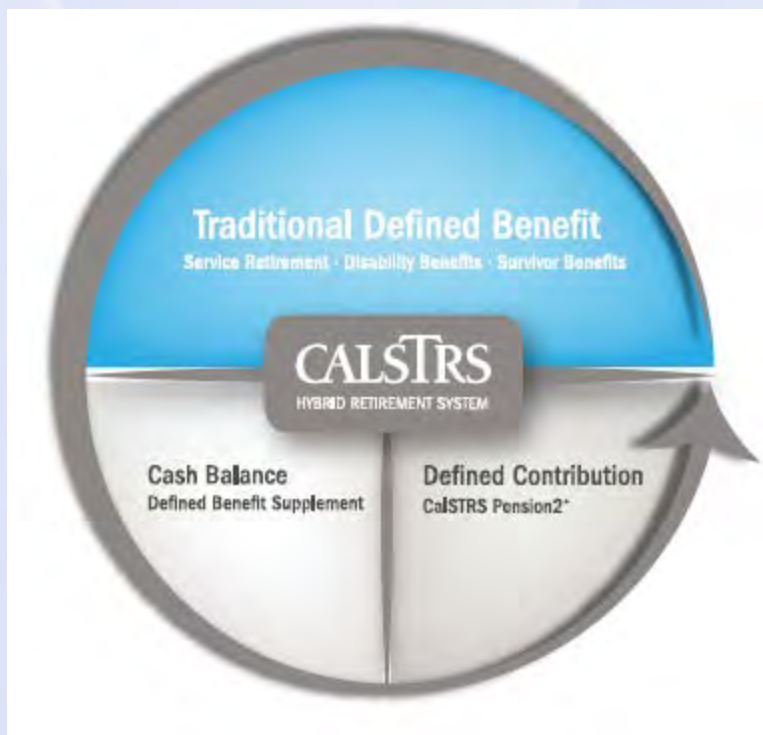


## Discussion Topics

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- CalSTRS hybrid
- The basics
- Your contributions
- Your benefits
- Next steps

# Hybrid Retirement System



- Defined Benefit Program
- Defined Benefit Supplement Program
- CalSTRS Pension2<sup>®</sup>

## Partners in Your Retirement

### CalSTRS

- Defined Benefit pension
- Defined Benefit Supplement
- Survivor benefits
- Disability benefits
- One-time death benefit
- CalSTRS Pension2<sup>®</sup>
- 403bCompare.com

### Employer

- Determine salary and pay rate
- Health and employee benefits
- Retirement incentives
- Report contract and earnings to CalSTRS
- Resolve service credit issues
- Sick leave balance
- Reduced Workload Program

[Submit Retirement Application](#)

[Resign/retire from district](#)





## Your Benefits

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### Three programs:

- Defined Benefit Program
- Defined Benefit Supplement Program
- CalSTRS Pension2

### Three benefits:

- Retirement
- Disability
- Survivor

## Contributions

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- Member contributions
  - 8.15 percent for fiscal year 2014-2015
  - Increasing to 10.25 percent for 2% at 60 members and 9.205 percent for 2% at 62 members by 2016-17
- Employer contributions
  - 8.88 percent for fiscal year 2014-2015
  - Increasing to 19.1% by 2020-21
- The state of California also contributes
  - Increasing to 6.328% by 2016-17, plus 2.5% for purchasing power protection

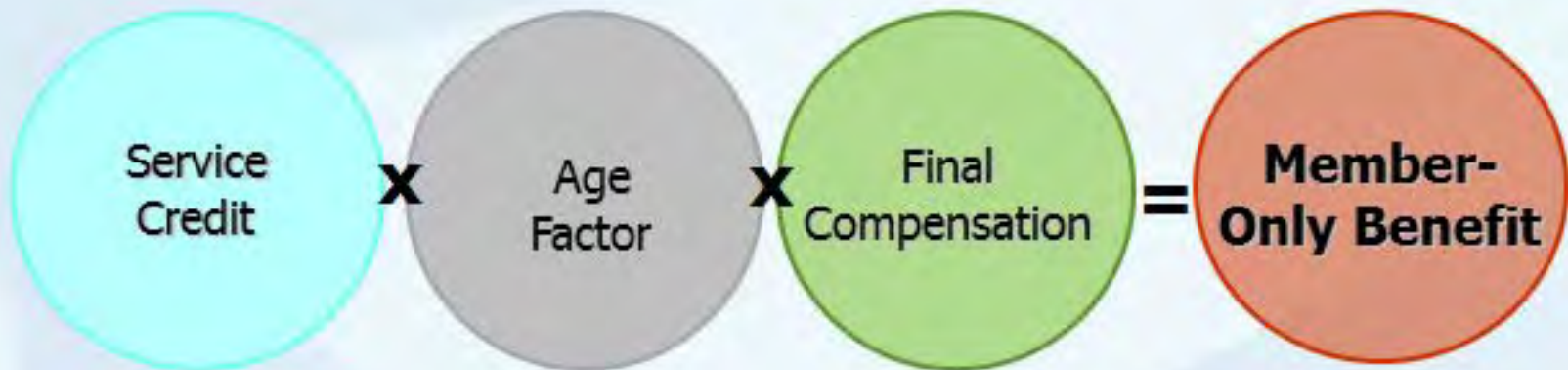
## Defined Benefit Power

- Risk free
- Guaranteed for life
- Based on a formula not your contributions

<b>Defined Benefit Plans</b> Public and corporate pensions	<b>Defined Contribution Plans</b> 403(b), 457, 401(K)
<p><b>Once vested, provides a secure, stable retirement income for life regardless of your contributions.</b></p>	<p><b>The amount contributed is fixed, but the benefit is not. Funds are finite.</b></p>



## Defined Benefit Formula



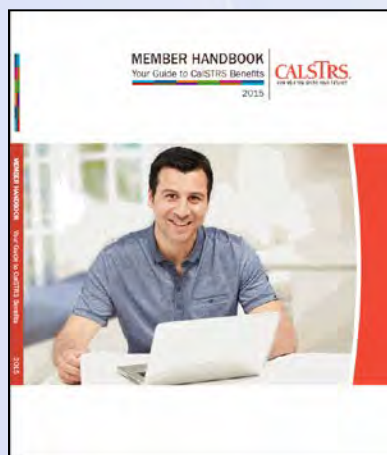
- CalSTRS 2% at 60: hired on or before Dec 31, 2012
- CalSTRS 2% at 62: hired on or after Jan 1, 2013

# Service Credit

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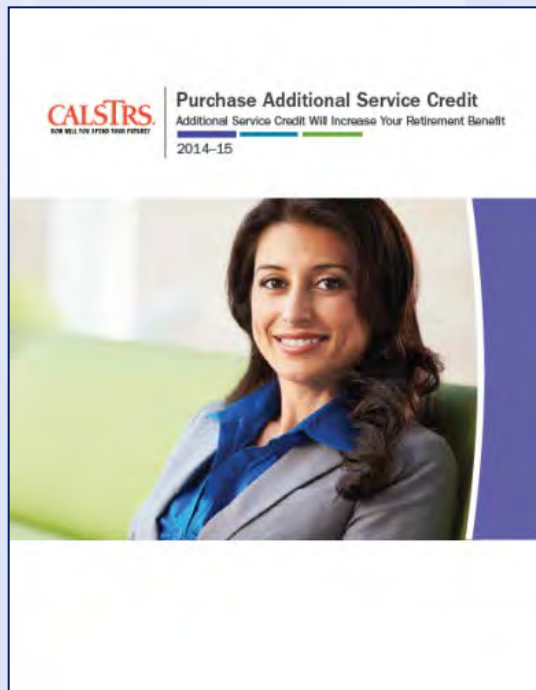
The number of full and partial years you paid into CalSTRS

- Maximum per school year is 1.000
- Track service credit in your *Retirement Progress Report*
- Unused sick leave converts to service credit
- Purchase additional service credit



# Purchasing Service Credit

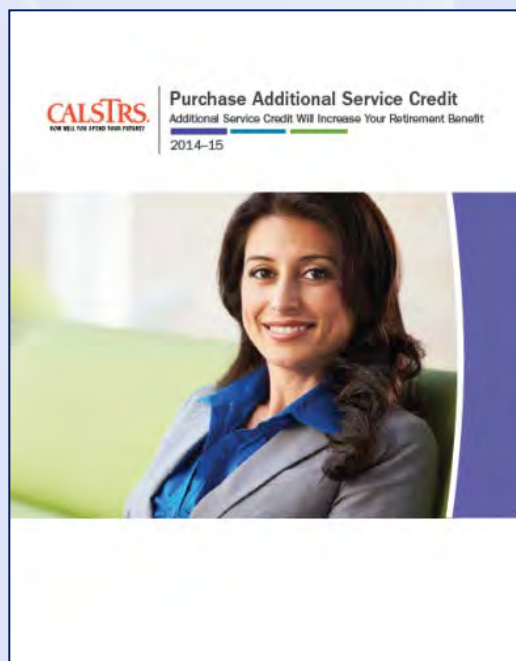
Types of service credit you may be able to purchase:



- Redeposit
- Permissive

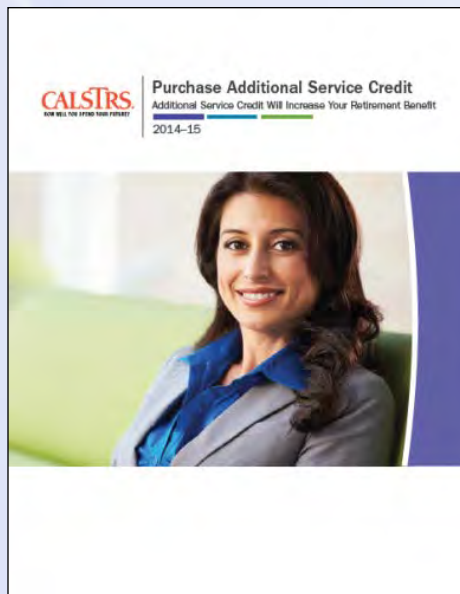
# Purchasing Service Credit – Redeposit

Redepositing allows you to restore the service credit represented by refunded contributions



- Refunded contributions
- Dissolution of marriage

# Purchasing Service Credit – Permissive

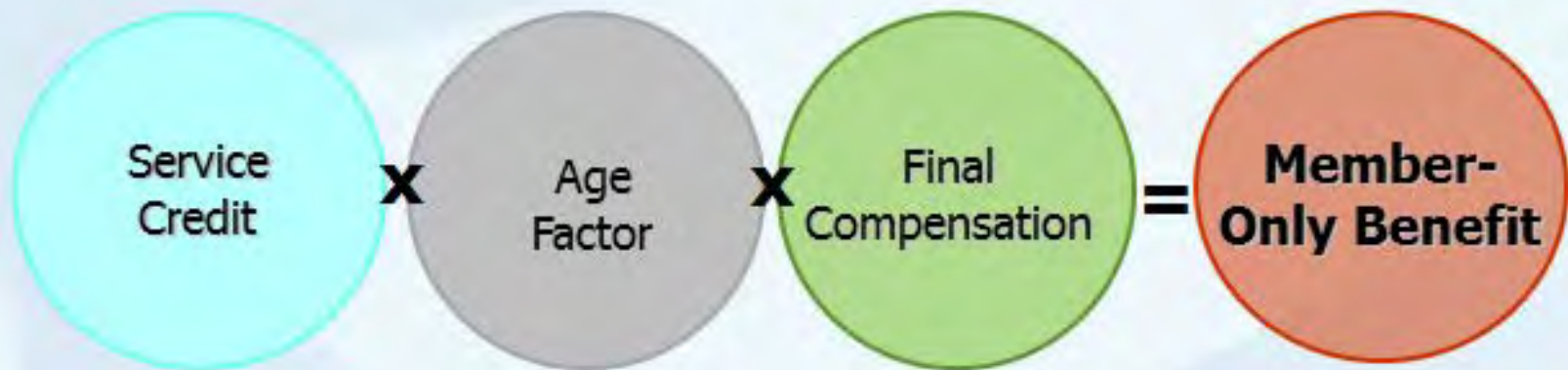


- Non-member service
- Out-of-state service
- Sabbatical
- Maternity/paternity leave
- Family care and medical leave

Remember the sooner the better!



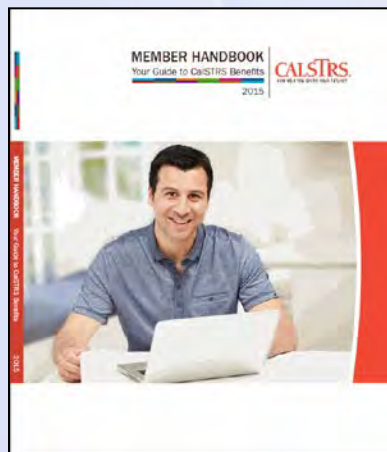
## Defined Benefit Formula



## Age Factor

A percentage determined by your age at the time of retirement.

- Highest age factor possible is 2.4 percent
  - CalSTRS 2% at 60
  - CalSTRS 2% at 62
- **Career Factor** – increase of 0.2 percent with 30 or more years of service credit\*



\*For CalSTRS 2% at 60 members only

## Career Factor\*

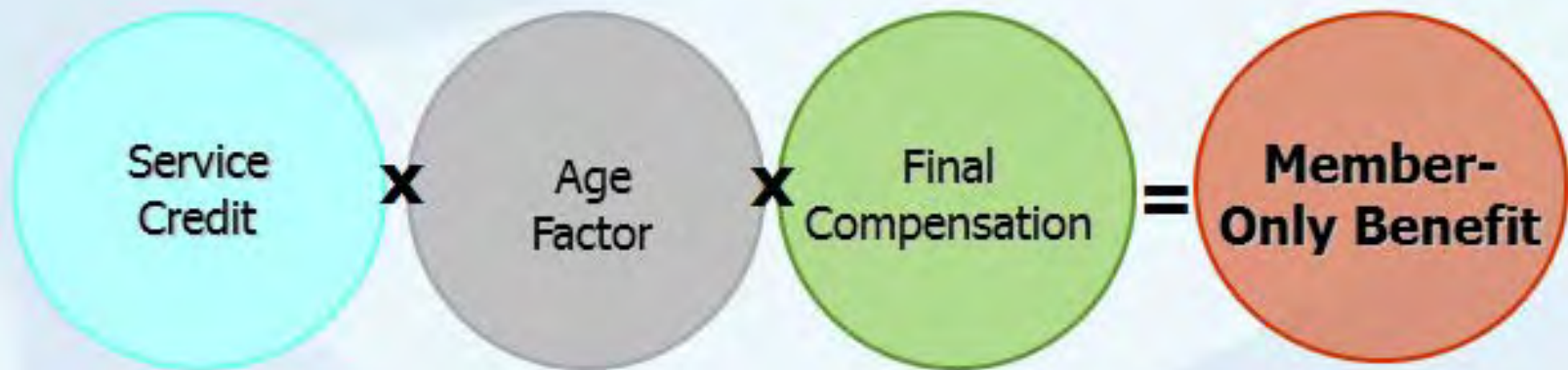
30 years of credited service increases age factor by 0.2 percent to a maximum of 2.4 percent

Age	Fewer than 30 years	30 years or more
55½	1.460	1.660
58½	1.820	2.020
61½+	2.200	2.400

\*For CalSTRS 2% at 60 members only



## Defined Benefit Formula



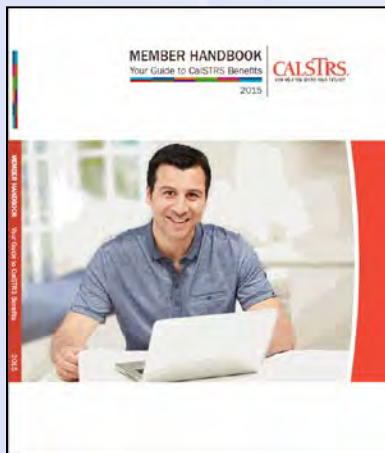
# Final Compensation

## ➤ CalSTRS 2% at 60

- Fewer than 25 years of service credit – **36 consecutive months**
- 25 years or more of service credit – **12 consecutive months**

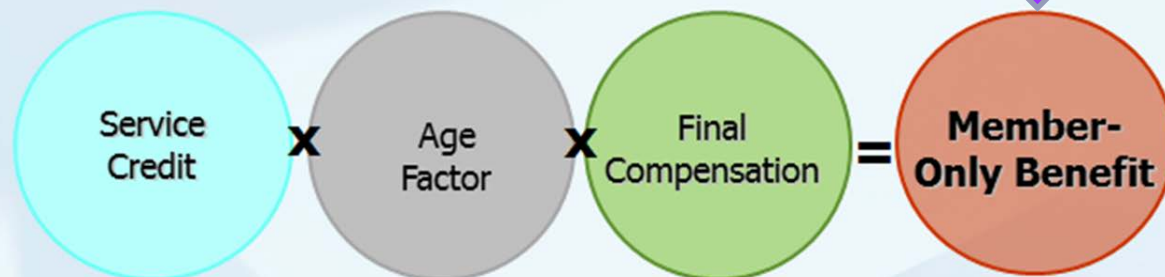
## ➤ CalSTRS 2% at 62

- Any amount of service credit – **36 consecutive months**



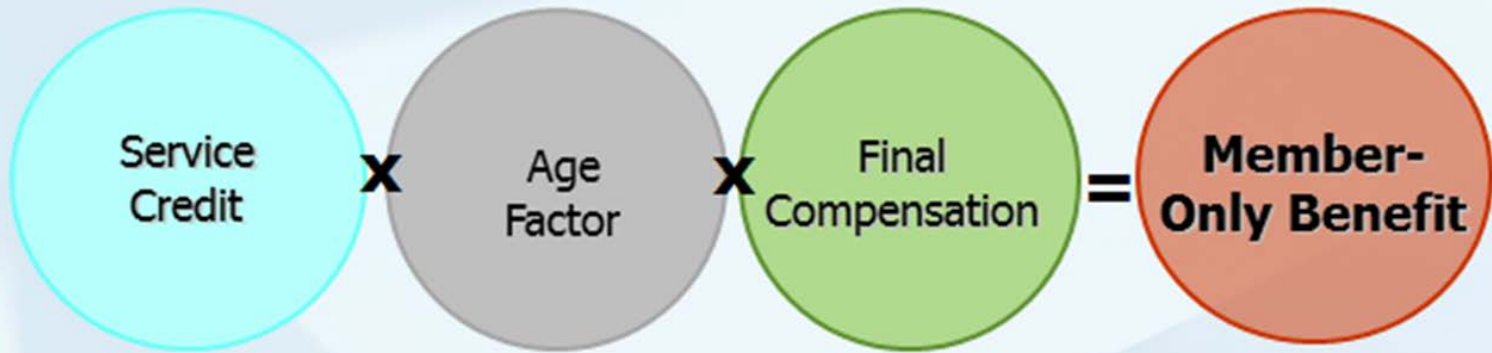
## Member-Only Benefit

Your benefit before any deductions



- Highest possible monthly benefit
- Monthly benefit for your lifetime only
- Annual 2% non-compounded increases

# Increase Your Retirement Benefit



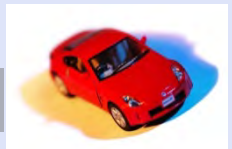
↑  
Work longer  
--  
Make a purchase  
--  
Convert unused sick leave

↑  
Have more birthdays  
-or-  
30 years of service credit

↑  
Increase salary

↑  
Get the highest benefit

Increase any part of the formula to get more money!



Remember: Benefit enhancements are only available to CalSTRS 2% at 60 members

**BENEFIT  
ENHANCEMENTS  
AHEAD**



**25 years**  
One-year final  
compensation



**30 years**  
Increase career  
factor



## Service Credit – Limitations

Types of service credit that do not qualify for benefit enhancements:

### Earned

- Unused sick leave, **in excess** of .200 service credit

### Purchased

- Nonqualified service credit (“air time”)

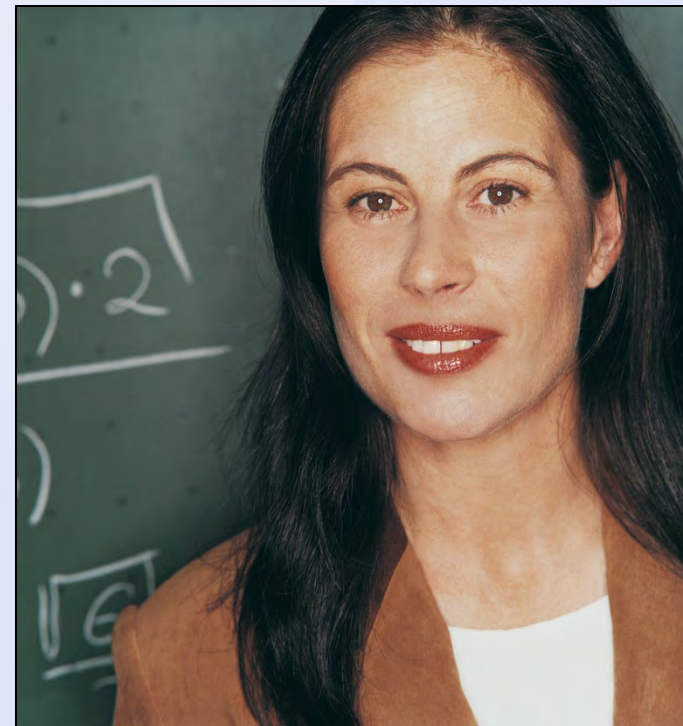
### Other

- Unpurchased Local Service credit
- Retirement Incentive credit

## Lauren

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- Lauren is 45 and a career educator
- She has 15 years of service credit
- She is married; Her husband, Sam, is 47
- They have two children, ages 6 and 4
- Lauren is not yet eligible to retire but wants to know more about her benefits

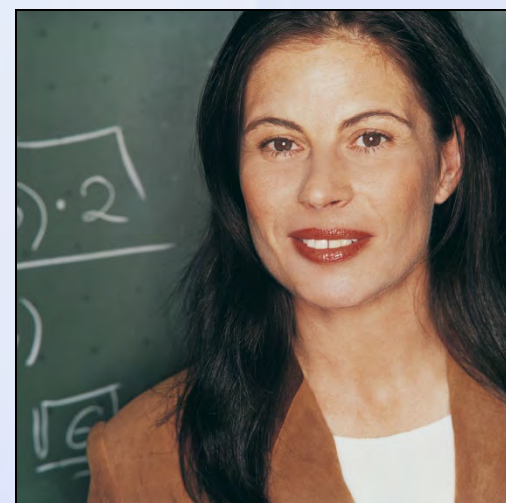


## Lauren's Service Credit Purchase

After teaching for two years, Lauren quit to start a family and withdrew her contributions from CalSTRS.

Restoring the two years of service credit would cost **\$15,734**.

Lauren's retirement benefit increased by **\$542** a month for her lifetime.



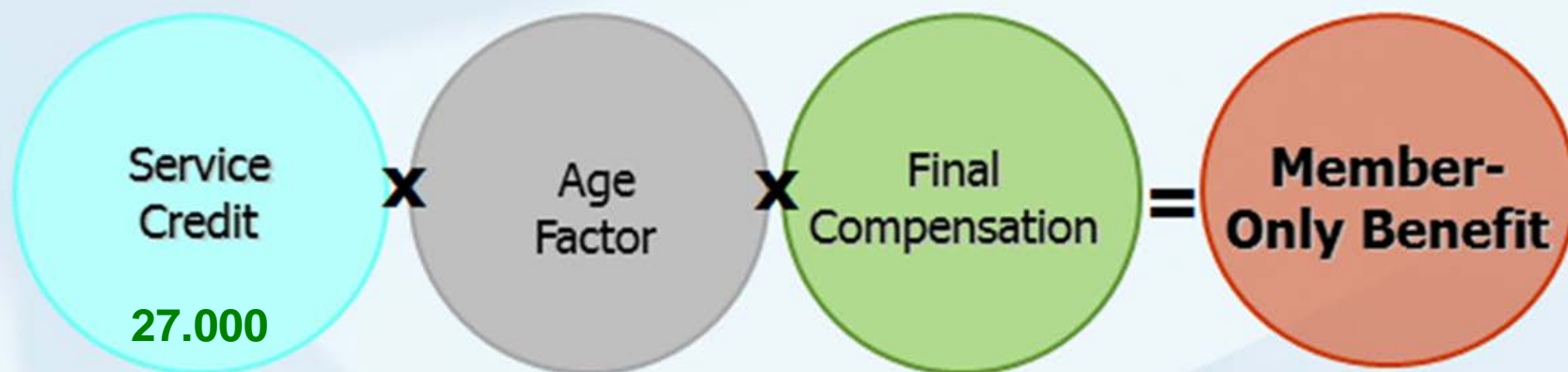
**Waiting another seven years would have increased the cost to \$22,140.  
Waiting until she reached age 55 increases the cost to \$25,630.**

Time Equals Money!





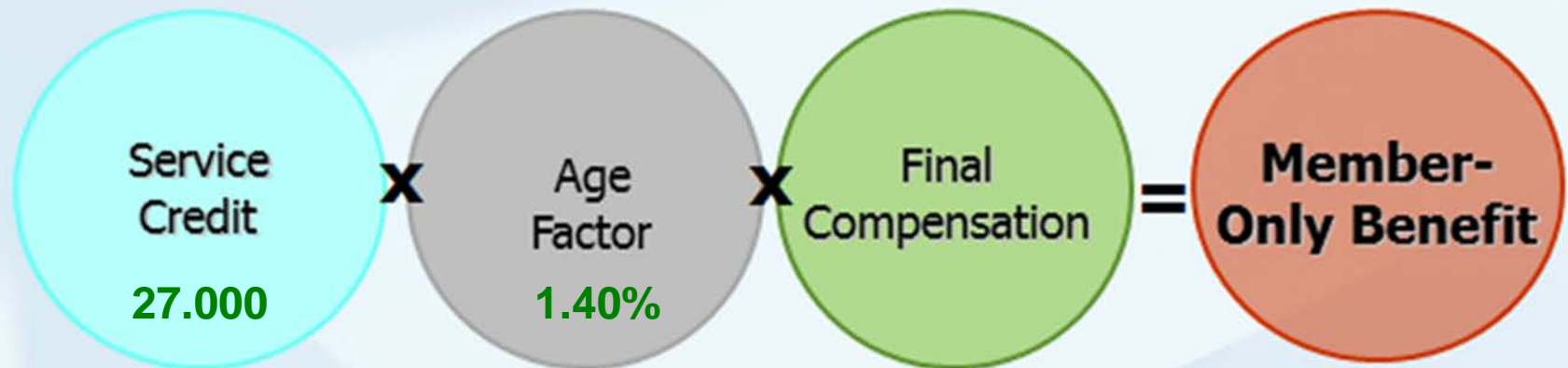
## Lauren at 55 – Retirement Formula



Lauren wants to retire at 55, let's calculate Lauren's future retirement benefit.

Lauren's redeposit increases her service credit to **27 years**.

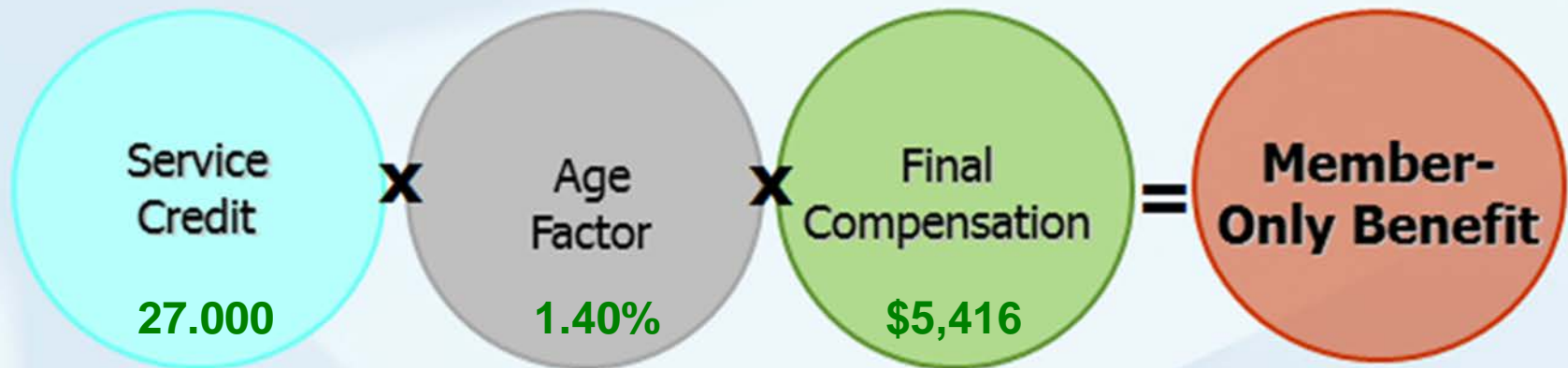
## Lauren's Retirement Formula



Lauren is 55 years old so her Age Factor is currently **1.40** percent.

Her Age Factor increases by 0.01 percent each month.

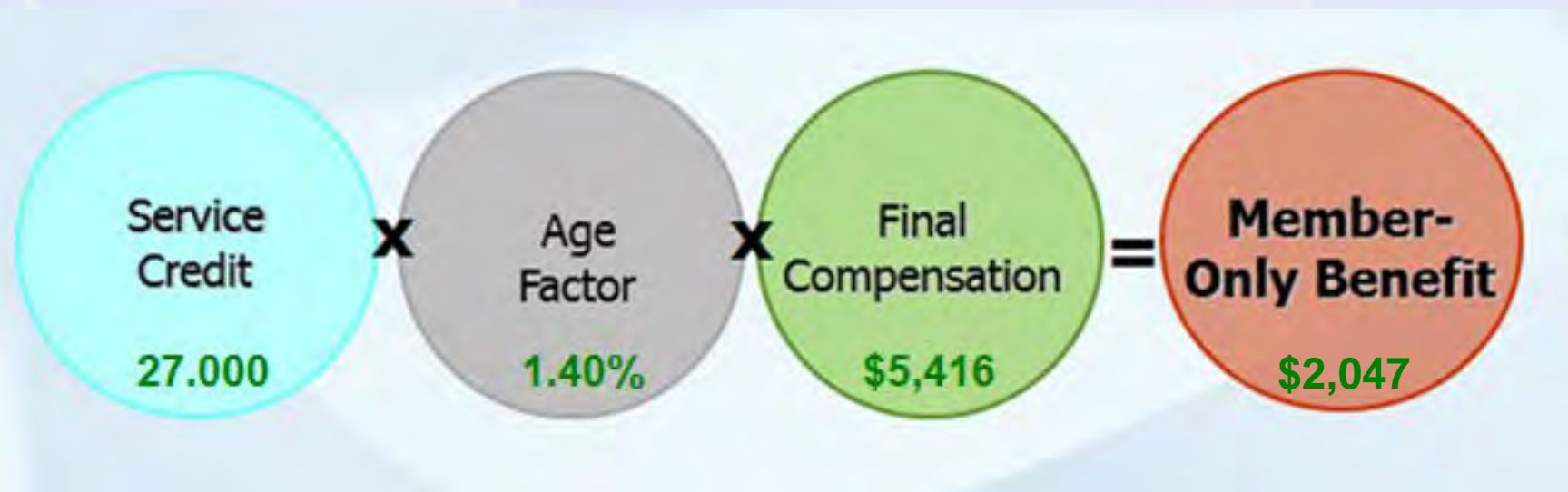
## Lauren's Retirement Formula



Lauren has more than 25 years of service credit.

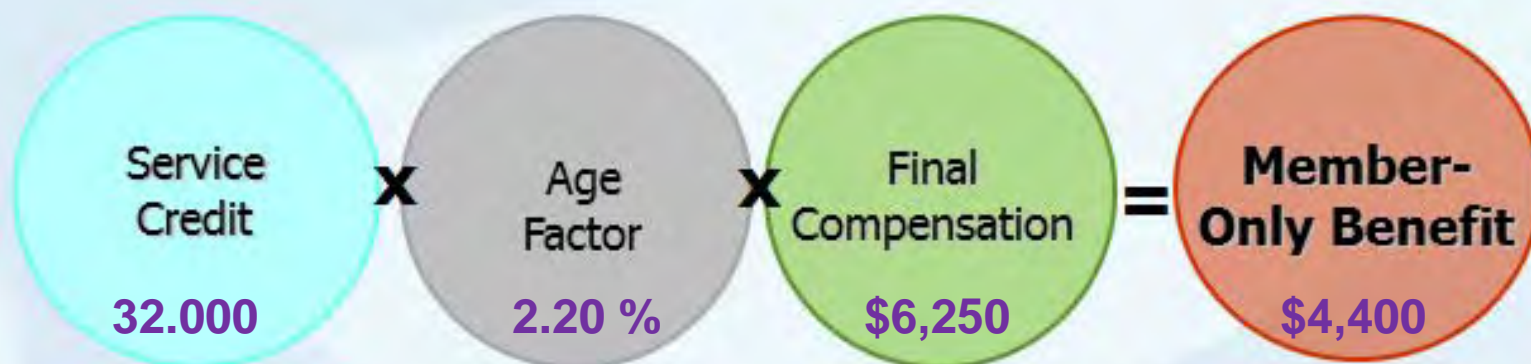
She is eligible to use her highest one year of Final Compensation of  $\$65,000/12 = \$5,416$ .

## Lauren's Retirement Formula



Lauren's total Member-Only Benefit would be **\$2,047 per month**, approximately 37% of her final compensation.

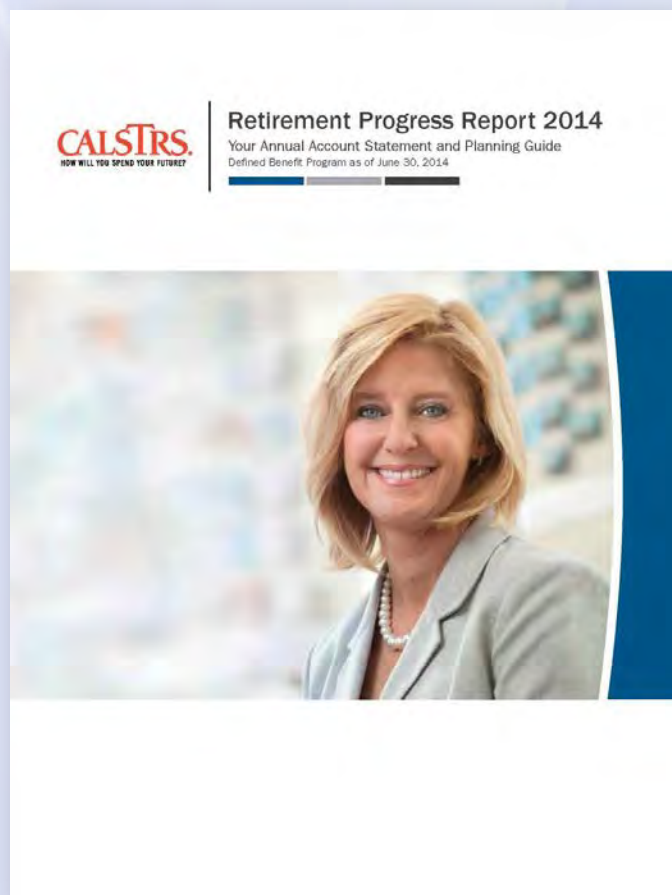
## Lauren at 60 – Retirement Formula



- ✓ Lauren now has **32 years** of service credit
- ✓ Her Age Factor is **2.20%** with the career factor
- ✓ She is eligible to use her highest one year of final compensation of \$75,000 per 12 = **\$6,250**

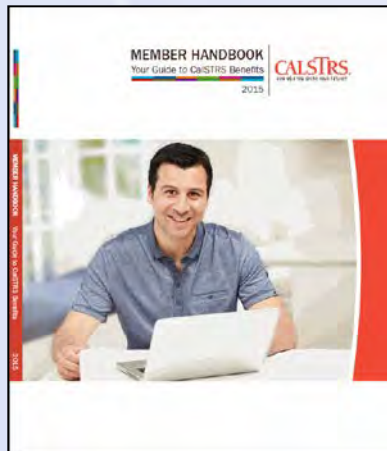
**At age 60, Lauren's Member-Only Benefit will be \$4,400 per month or approximately 70% of her final salary.**

# Defined Benefit Supplement Program



- Provides supplemental income to regular Defined Benefit
- Based on amount of money in account and your age at retirement
- Income guaranteed for life

# Building Your Defined Benefit Supplement Account



- A quarter of 8 percent member contributions went to Defined Benefit Supplement\*
- On earnings in excess of 1.000 year of service credit
  - 8 percent member contributions
  - 8 percent employer contributions
- Compounded interest (3.55% in 2014 –2015)

\*Ended on December 31, 2010

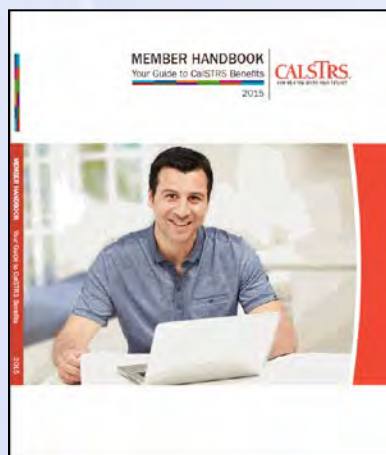
# Choosing an Option

## What is an option?

- Reduce your retirement benefit to provide a lifetime benefit to your loved ones

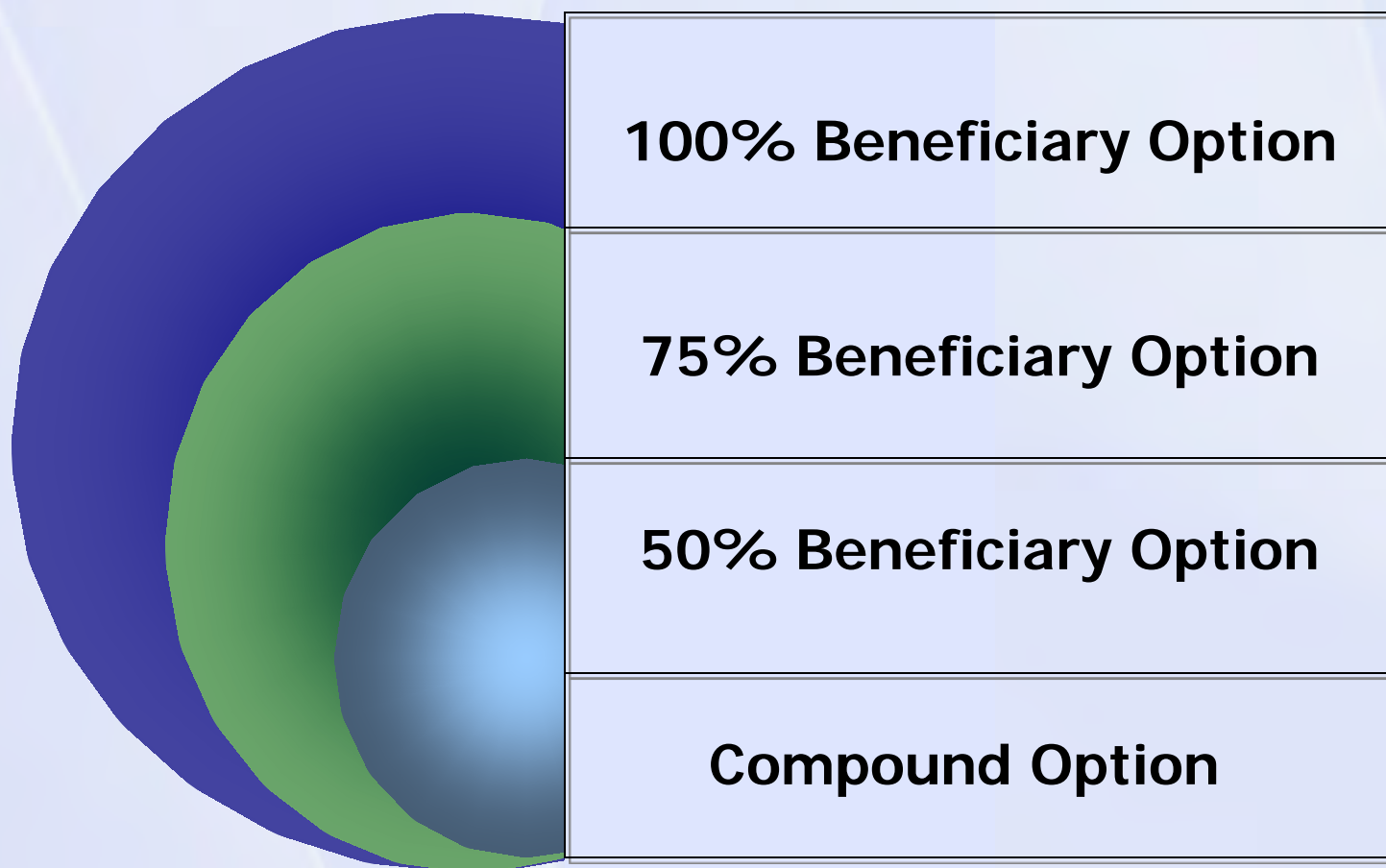
## When can I choose an option?

- When you are eligible to retire or at retirement



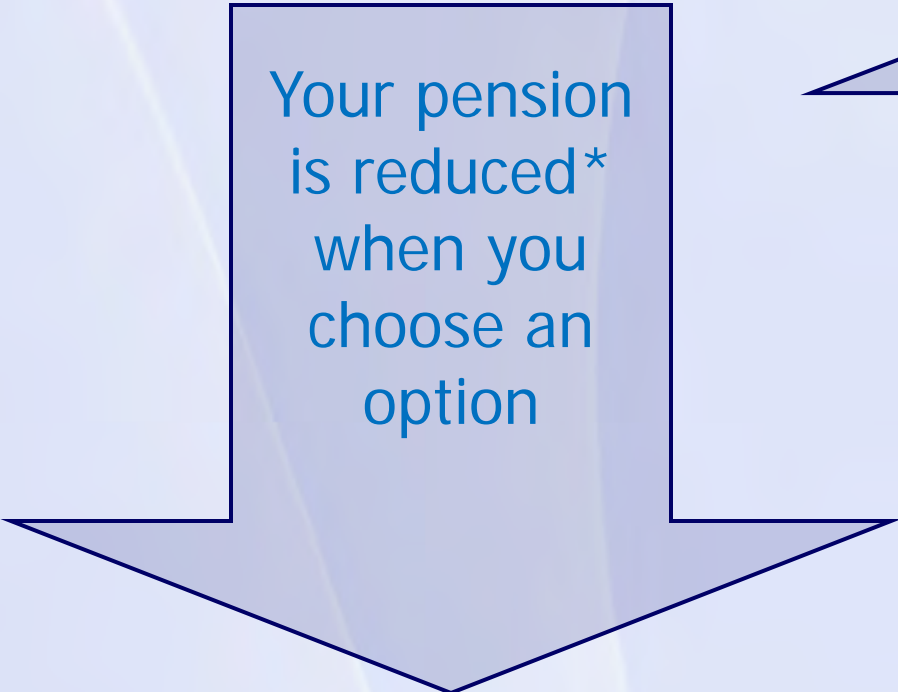


## Benefit Options



## Options have a "Pop-up" Feature

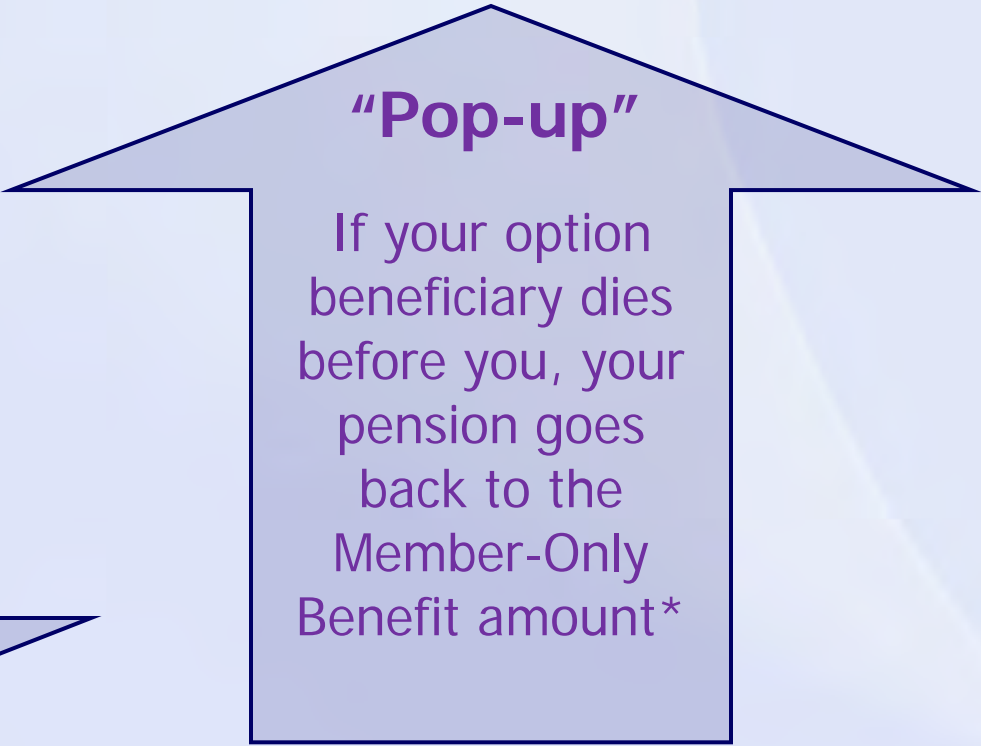
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Your pension  
is reduced\*  
when you  
choose an  
option

\*Based on the option you choose  
and your age and the age of your  
beneficiary

### "Pop-up"



If your option  
beneficiary dies  
before you, your  
pension goes  
back to the  
Member-Only  
Benefit amount\*

\* If your beneficiary dies before you  
retire, your retirement benefit may be  
permanently reduced

## Lauren's Option Choice

If Lauren elects the 100% Beneficiary Option at age 60 and retires at 60.

Lauren's Member-Only Benefit	Lauren's 100% Option	Sam's Beneficiary Income <i>(if Lauren dies)</i>	Lauren's "pop-up" Benefit <i>(if Sam dies)</i>
<b>\$4,400</b>	<b>\$3,850*</b>	<b>\$3,850*</b>	<b>\$4,400</b>

**\* 87.5% of the Member-Only Benefit**

## Lauren's Option Choice

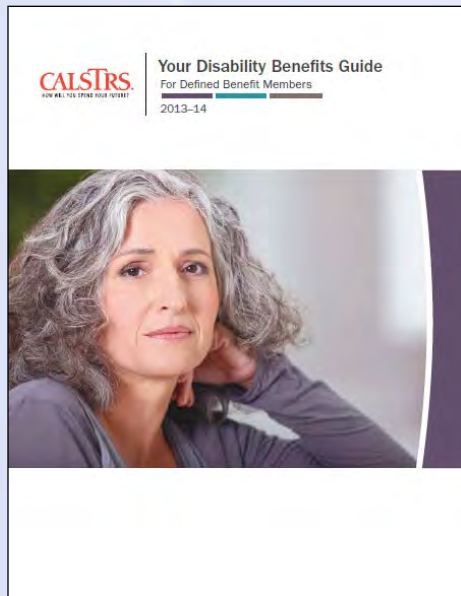
If Lauren pre-elects the 100% Beneficiary Option at age 55 and retires at 60.

Lauren's Member-Only Benefit	Lauren's 100% Option	Sam's Beneficiary Income <i>(if Lauren dies)</i>	Lauren's "pop-up" Benefit <i>(if Sam dies)</i>
<b>\$4,400</b>	<b>\$3,960*</b>	<b>\$3,960*</b>	<b>\$4,400</b>

**\*90% of the Member-Only Benefit**

# Your Benefits – Disability Program

- Must be vested
  - Five 5 or 1 year if unlawful act
- Disability permanent or expected to last at least 12 consecutive months
- Application and evaluation process
- Up to 5 months for a decision
- Additional benefits for eligible dependents



## Your Benefits – Disability Program

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### What if Lauren becomes disabled?

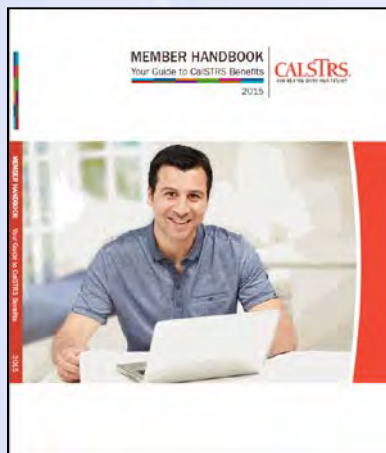
- She would receive 50% of her final compensation, plus
- 10% of final compensation for each eligible child. Lauren has two children.

While disabled, Lauren would receive 70% of her final compensation.

**Lauren has Coverage B.**  
**Do you have Coverage A or B?**

## Your Benefits – Survivor Benefits

- Who is a “survivor?”
  - Coverage A versus Coverage B
- Choices based on survivor’s eligibility
  - Refund of your account
  - Monthly benefit for life
- One-time death benefit\*
  - Active: A = \$6,163                      B = \$24,652
  - Retired: A & B = 6,163

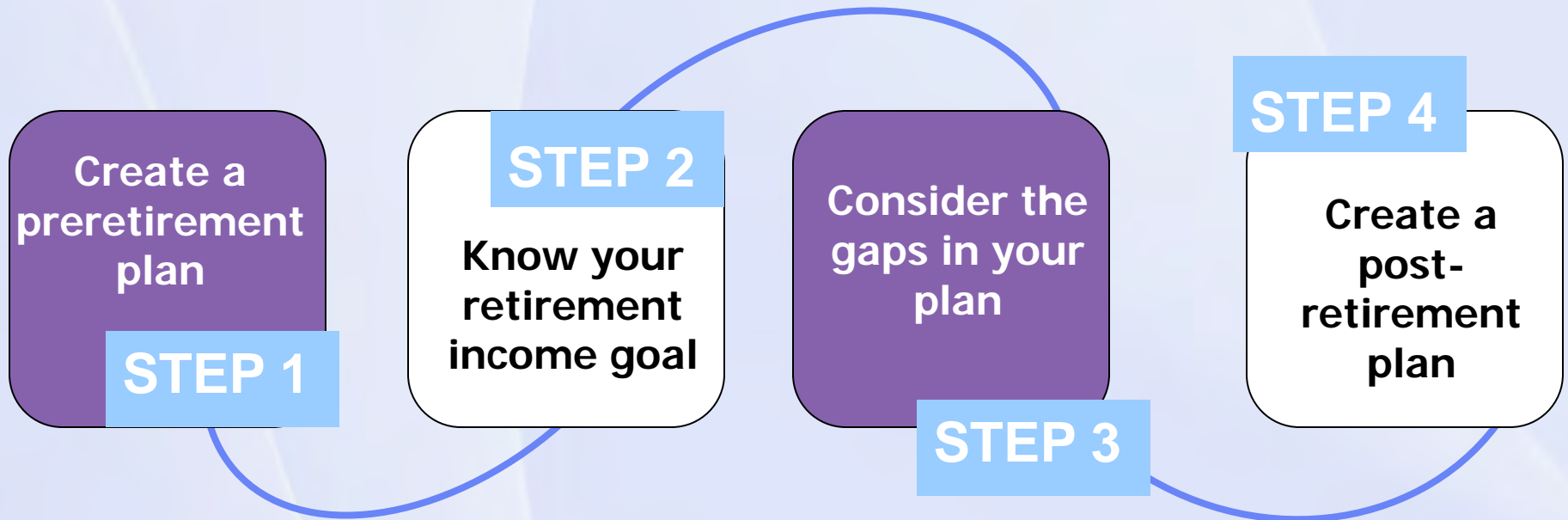


**\*Review your beneficiary every five years**



## Next Steps

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Create a  
pre-  
retirement  
plan

**STEP 1**

- When do you want to retire?
- Gather all information needed for the plan
- Discuss your plan with your family

**STEP 2**

Know your  
retirement  
income goal

**Consider all sources of income  
available to you in retirement:**

- CalSTRS monthly retirement benefit
- CalSTRS Pension2<sup>®</sup> and other tax-deferred accounts
- Other investments, including life insurance
- Social Security earned through prior employment or spouse

## CalSTRS Pension2®



**An enhanced Pension2 is here!**

**Put the power of tax-deferral to work for your money!**

- Investment options that match all levels of investment ability
- Professional advice for every level of investor
- Flexibility of retirement savings plans
- Simple, low-cost and transparent fee structure
- No commissions or surrender charges
- Powerful planning and education resources
- Pension2 website with access to online planning tools
- Account management through online and mobile access
- Easy payroll deduction of contributions
- 24/7 account access

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- Objective advice and services at no additional cost
- Pension2 Easy Choice Portfolios
- 888-394-2060
- Pension2.com



- What percent of your working income will come from CalSTRS?
- Is there a gap between what you will receive and what you need?
- How will you pay for health care in retirement?

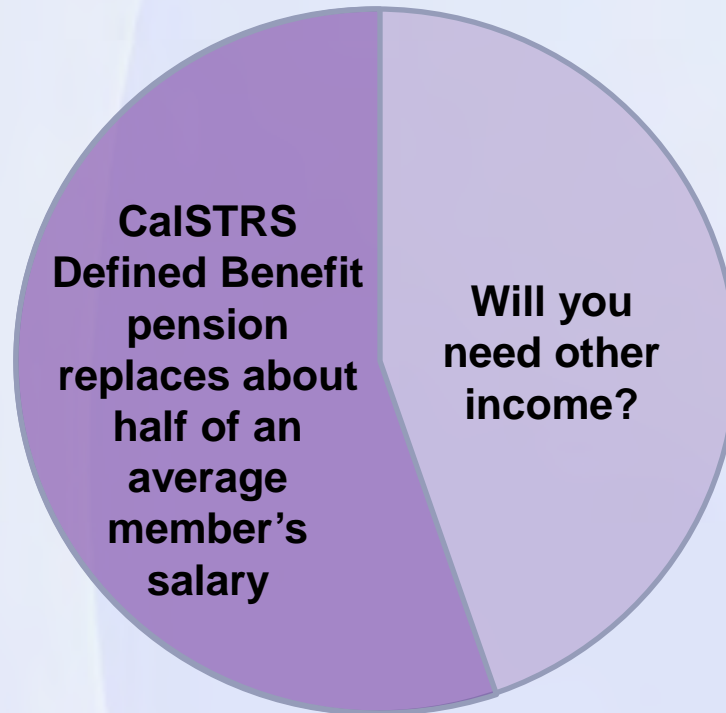
Consider the  
gaps in your  
plan

**STEP 3**



# What is my gap?

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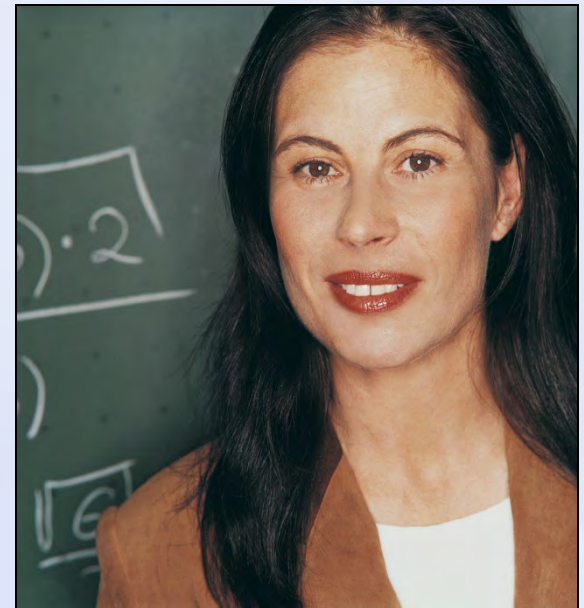
**Have you developed a retirement plan that includes all sources of retirement income?**

## Consider Lauren's Plan

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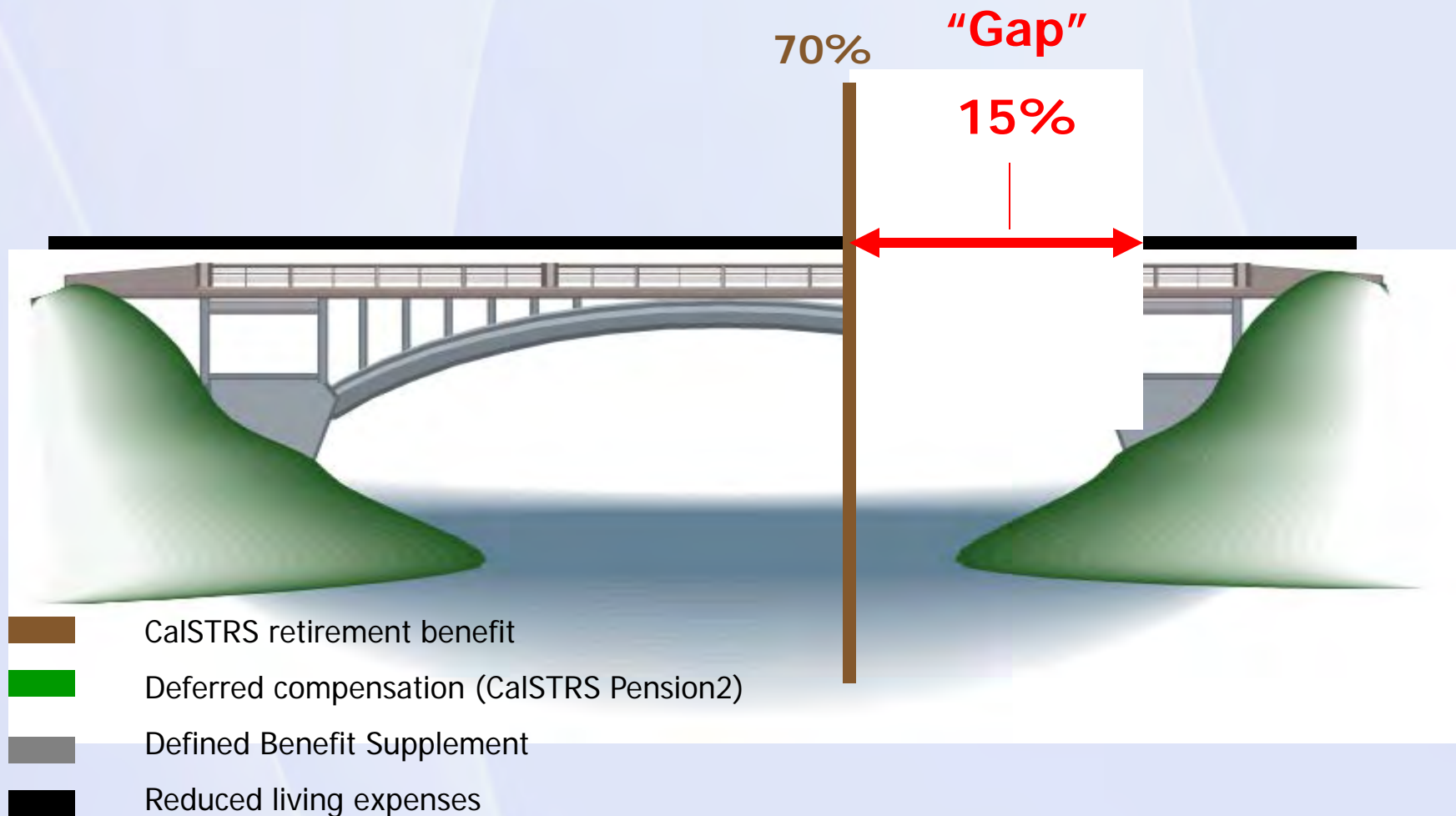


**Goal:** 85% of  
working income

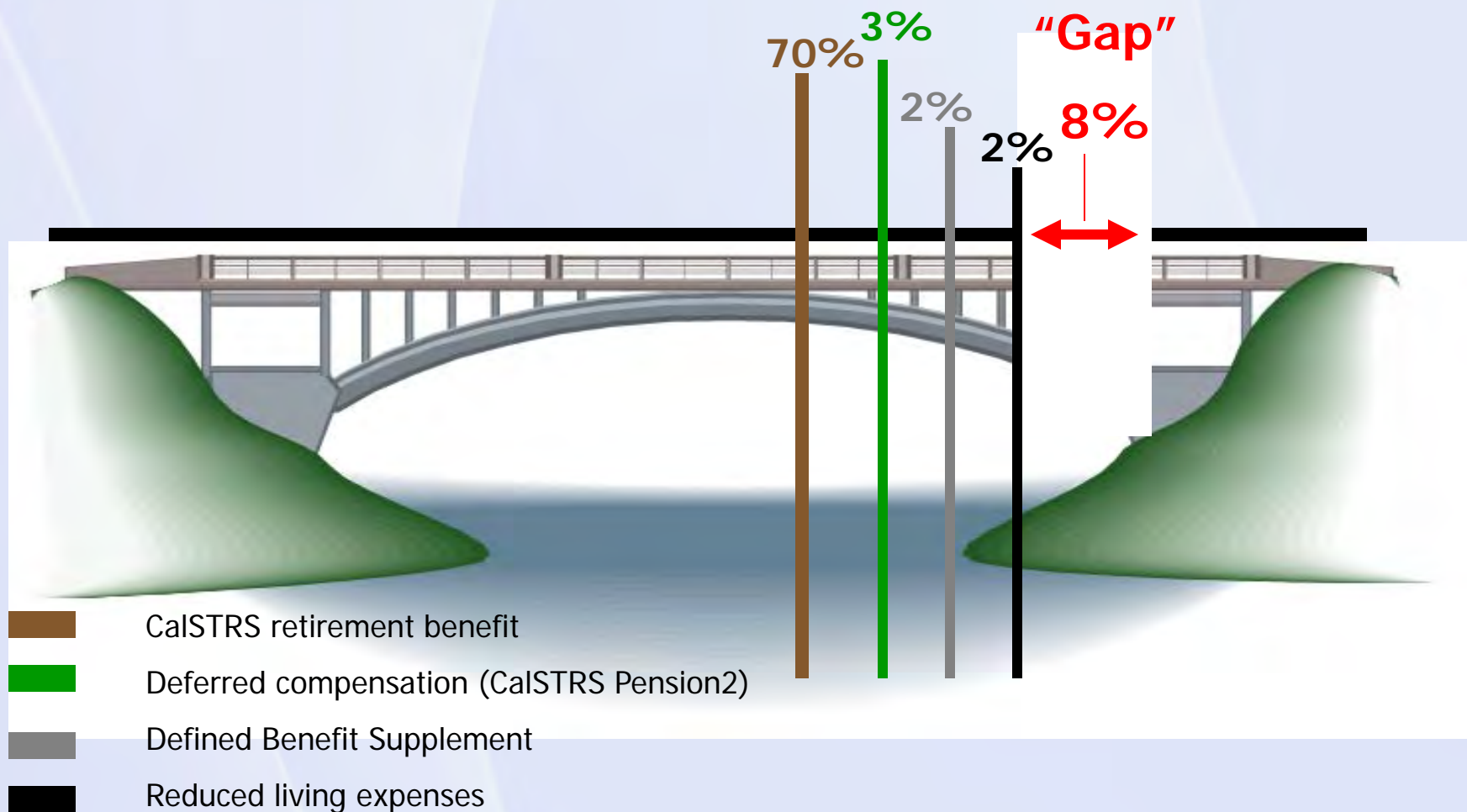


- ✓ Lauren has decided to retire at age 60.
- ✓ Her final CalSTRS pension will provide 70% of her working income.
- ✓ Other income sources will help her reach her 85% goal.

# Lauren's "Gap"



# Lauren's "Gap"





# Plan Now to Bridge the "Gap"



**Purchase additional service credit**



**Begin or increase contributions to deferred compensation account like CalSTRS Pension2**



**Build Defined Benefit Supplement Account by working additional duties**



**Work additional years**



**Work in retirement**

**STEP 4****Create a  
post-  
retirement  
plan**

- Identify your definition of retirement success
- Identify retirement risks
- Plan to preserve, protect and manage income

# Your CalSTRS Resources

## CalSTRS Resources



### WEB

CalSTRS.com  
Click *Contact Us* to email

403bCompare.com

Pension2.com

### STAY CONNECTED



### CALL

800-228-5453  
7 a.m. to 6 p.m.  
Monday through Friday

888-394-2060  
CalSTRS Pension2®  
Personal Wealth Plan

855-844-2468 (toll free)  
Pension Abuse Reporting Hotline



### WRITE

CalSTRS  
P. O. Box 15275  
Sacramento, CA  
95851-0275



### VISIT

Member Services  
100 Waterfront Place  
West Sacramento, CA 95605

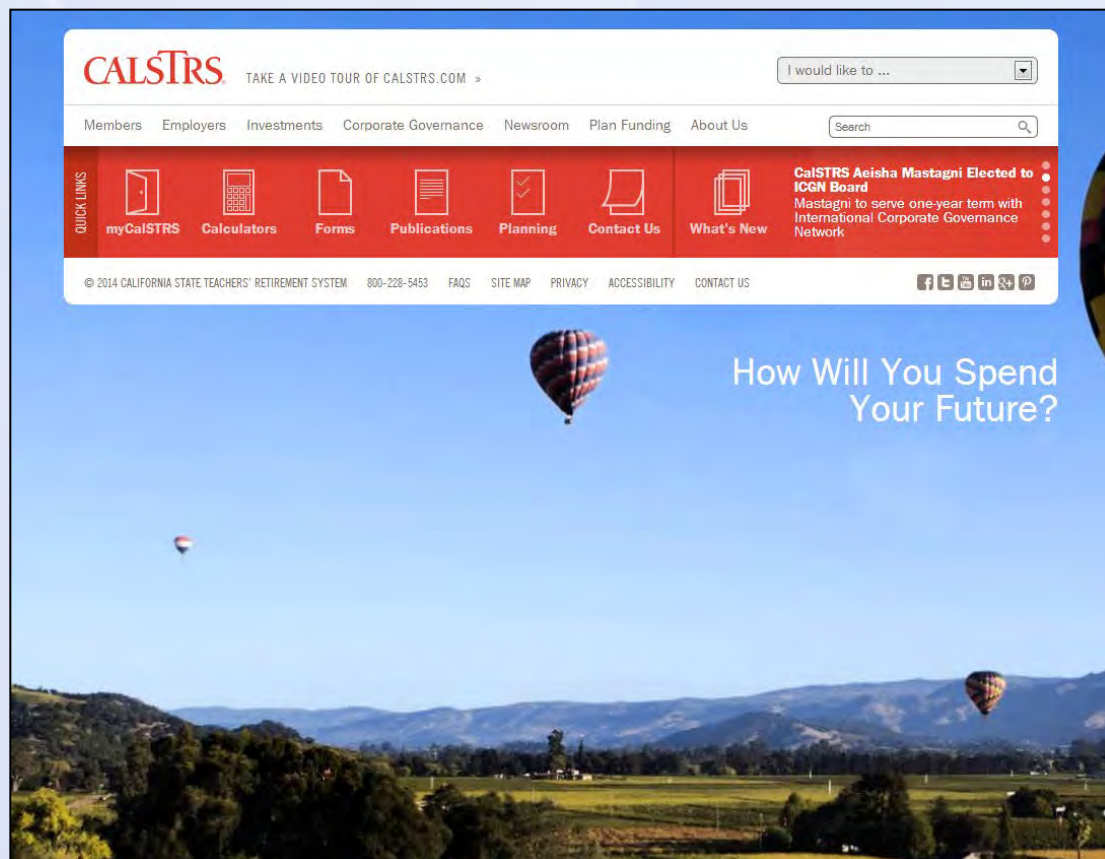
Find your nearest  
CalSTRS office at  
CalSTRS.com/localoffices



### FAX

916-414-5040

# CalSTRS.com



- Member information
- Estimate calculators
- Forms and publications
- Planning resources

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

Home | Account | Services | Settings | Help | Log Out

CALSTRS.com ▶

**Your Online Services** Customer Name:

Select from the services below or use the main drop down navigation menu to continue.

- View Your Messages**  
Receive secure messages in your myCalSTRS Inbox.
- Update Your Profile**  
Keep your personal and myCalSTRS account information up-to-date.
- Schedule a Benefits Counseling Appointment**  
Learn how CalSTRS Benefits Counseling Services can assist you with your retirement preparation.
- Complete & Submit Forms, Retrieve Status.**
- Manage Your Beneficiary Selections**  
Add, edit and/or delete your recipient designations and submit to CalSTRS.
- View Your Retirement Progress Reports**  
Check your retirement progress and print your report.
- Download Forms & Publications**  
View, print and save CalSTRS forms and publications or request your selection by U.S. Mail.
- Use Our Calculators**  
Take advantage of our specialized benefit calculators to help you make informed decisions.

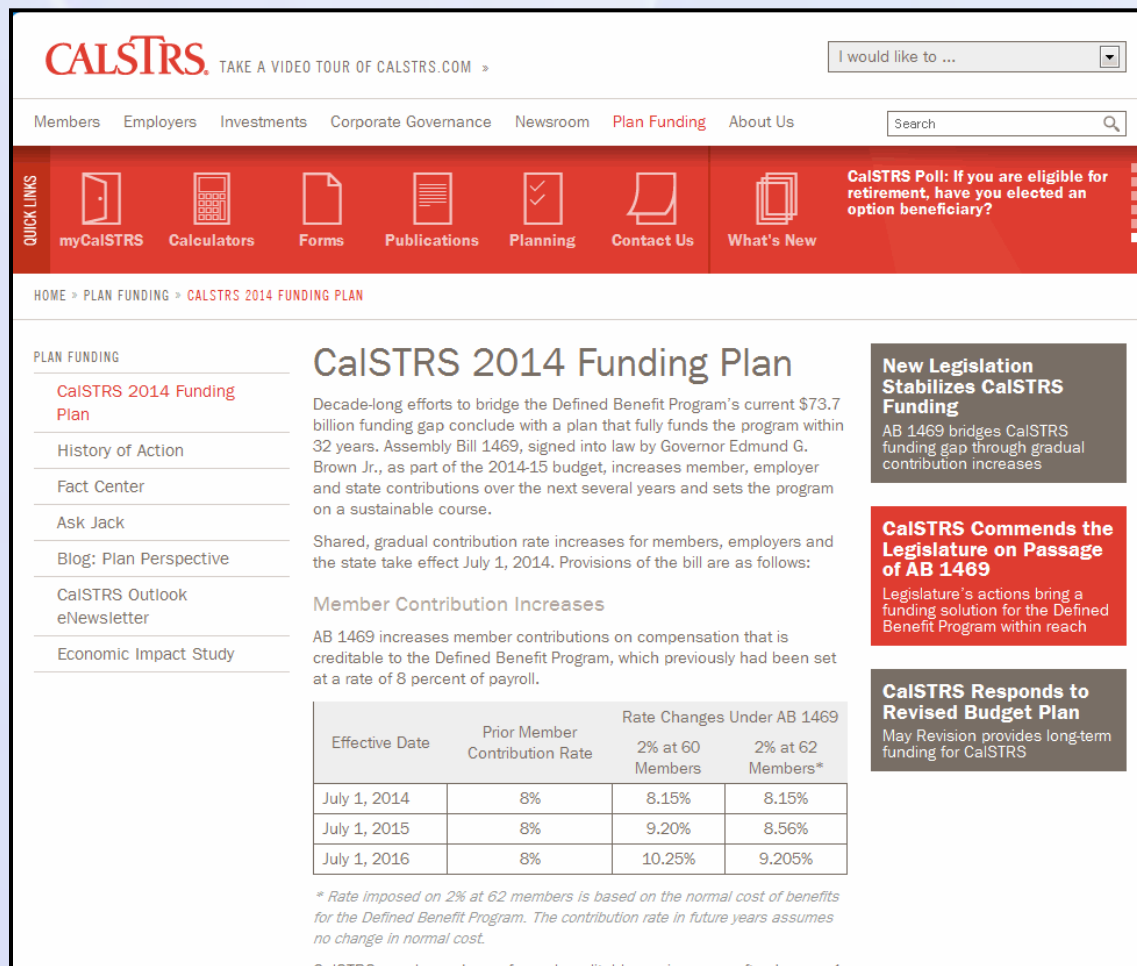
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- Secure messaging
- Annual statements
- Address change
- Beneficiary designation

# Plan Funding



**CALSTRS** TAKE A VIDEO TOUR OF CALSTRS.COM >

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**QUICK LINKS**

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- Forms
- Publications
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- Contact Us
- What's New

CalSTRS Poll: If you are eligible for retirement, have you elected an option beneficiary?

HOME > PLAN FUNDING > CALSTRS 2014 FUNDING PLAN

**PLAN FUNDING**

- CalSTRS 2014 Funding Plan**
- History of Action
- Fact Center
- Ask Jack
- Blog: Plan Perspective
- CalSTRS Outlook eNewsletter
- Economic Impact Study

## CalSTRS 2014 Funding Plan

Decade-long efforts to bridge the Defined Benefit Program's current \$73.7 billion funding gap conclude with a plan that fully funds the program within 32 years. Assembly Bill 1469, signed into law by Governor Edmund G. Brown Jr., as part of the 2014-15 budget, increases member, employer and state contributions over the next several years and sets the program on a sustainable course.

Shared, gradual contribution rate increases for members, employers and the state take effect July 1, 2014. Provisions of the bill are as follows:

### Member Contribution Increases

AB 1469 increases member contributions on compensation that is creditable to the Defined Benefit Program, which previously had been set at a rate of 8 percent of payroll.

Effective Date	Prior Member Contribution Rate	Rate Changes Under AB 1469	
		2% at 60 Members	2% at 62 Members*
July 1, 2014	8%	8.15%	8.15%
July 1, 2015	8%	9.20%	8.56%
July 1, 2016	8%	10.25%	9.205%

\* Rate imposed on 2% at 62 members is based on the normal cost of benefits for the Defined Benefit Program. The contribution rate in future years assumes no change in normal cost.

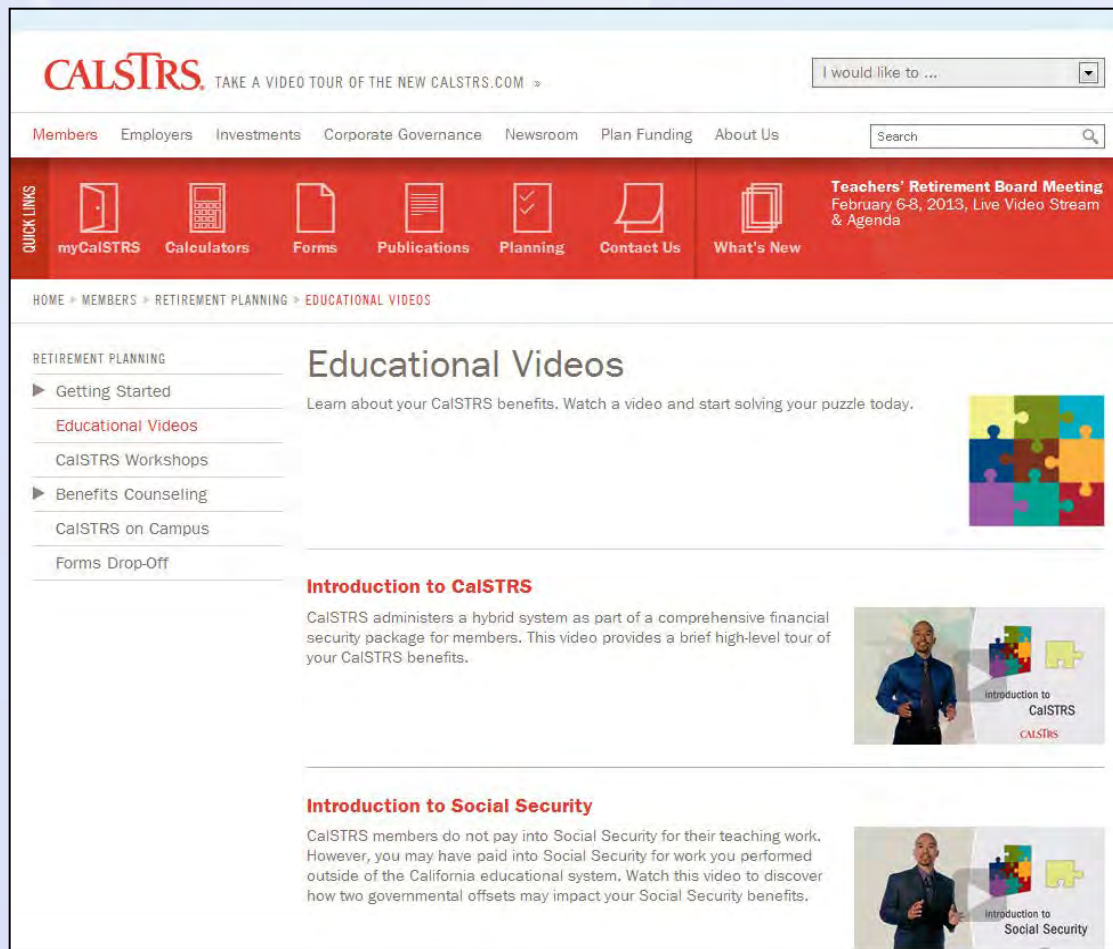
**New Legislation Stabilizes CalSTRS Funding**  
AB 1469 bridges CalSTRS funding gap through gradual contribution increases

**CalSTRS Commends the Legislature on Passage of AB 1469**  
Legislature's actions bring a funding solution for the Defined Benefit Program within reach

**CalSTRS Responds to Revised Budget Plan**  
May Revision provides long-term funding for CalSTRS

- New funding plan
- Funding outlook
- Know your benefits
- Ask Jack
- E-newsletters
- Join the conversation

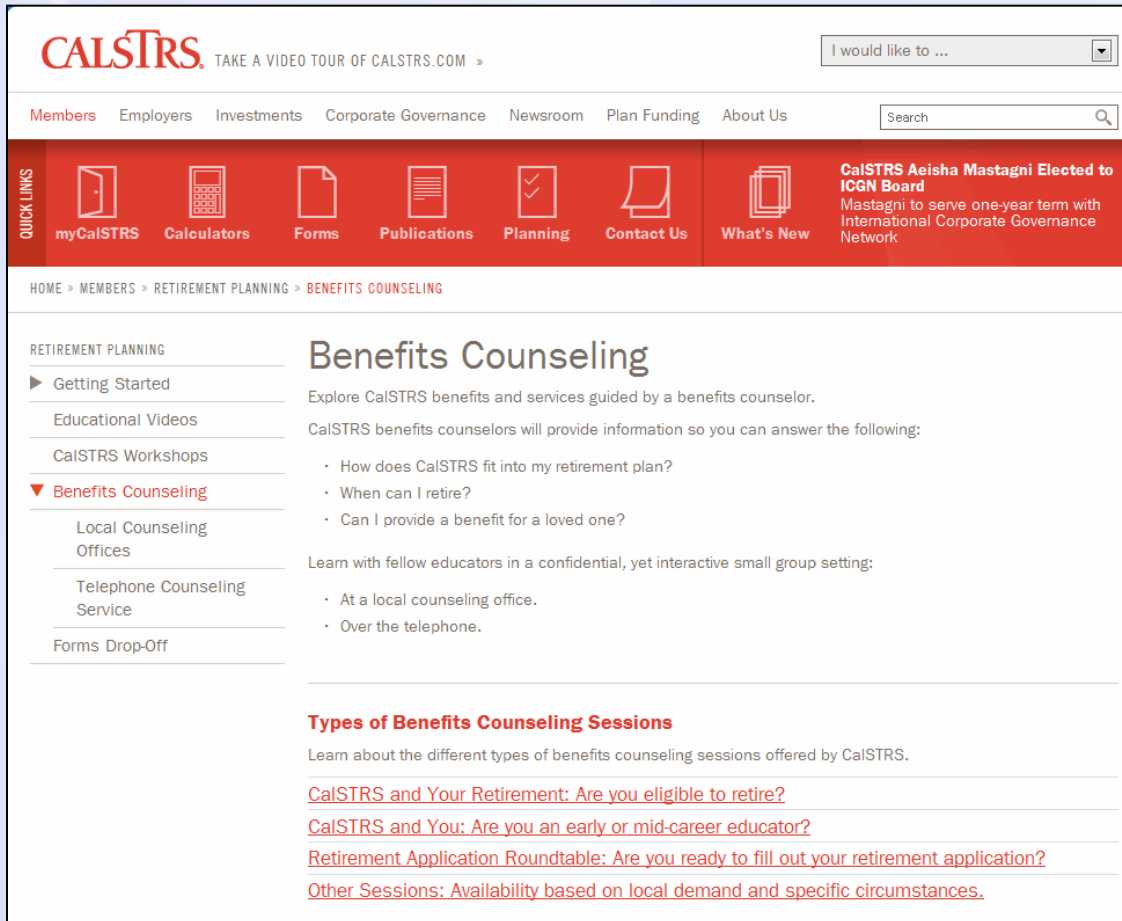
# Educational Videos



The screenshot shows the CALSTRS website interface. At the top, there is a navigation bar with links for Members, Employers, Investments, Corporate Governance, Newsroom, Plan Funding, and About Us. Below this is a red navigation bar with icons for myCalSTRS, Calculators, Forms, Publications, Planning, Contact Us, and What's New. The main content area is titled "Educational Videos" and includes a sidebar with "RETIREMENT PLANNING" categories like Getting Started, Educational Videos, CalSTRS Workshops, Benefits Counseling, CalSTRS on Campus, and Forms Drop-Off. The main content features two video thumbnails: "Introduction to CalSTRS" and "Introduction to Social Security".

- Understanding the Formula
- The Gap
- Refund – Consider the Consequences
- Defined Benefit Supplement
- Disability benefits
- Survivor benefits
- Social Security
- Pension2

# Benefits Counseling



The screenshot shows the CALSTRS website's navigation and content for the Benefits Counseling section. The header includes the CALSTRS logo, a video tour link, and a search bar. The main navigation menu lists various services like Members, Employers, and Investments. A red sidebar contains quick links to myCalSTRS, Calculators, Forms, Publications, Planning, Contact Us, and What's New. The main content area features a breadcrumb trail (HOME > MEMBERS > RETIREMENT PLANNING > BENEFITS COUNSELING) and a sidebar with a tree view of retirement planning topics. The central heading is 'Benefits Counseling', followed by a description and a list of questions addressed by the counseling service. Below this, there is a section for 'Types of Benefits Counseling Sessions' with links to various resources.

**CALSTRS** TAKE A VIDEO TOUR OF CALSTRS.COM >

I would like to ...

Members Employers Investments Corporate Governance Newsroom Plan Funding About Us Search

**QUICK LINKS**

- myCalSTRS
- Calculators
- Forms
- Publications
- Planning
- Contact Us
- What's New

**CalSTRS Aeisha Mastagni Elected to ICGN Board**  
Mastagni to serve one-year term with International Corporate Governance Network

HOME > MEMBERS > RETIREMENT PLANNING > BENEFITS COUNSELING

**RETIREMENT PLANNING**

- Getting Started
- Educational Videos
- CalSTRS Workshops
- Benefits Counseling**
  - Local Counseling Offices
  - Telephone Counseling Service
  - Forms Drop-Off

## Benefits Counseling

Explore CalSTRS benefits and services guided by a benefits counselor.

CalSTRS benefits counselors will provide information so you can answer the following:

- How does CalSTRS fit into my retirement plan?
- When can I retire?
- Can I provide a benefit for a loved one?

Learn with fellow educators in a confidential, yet interactive small group setting:

- At a local counseling office.
- Over the telephone.

**Types of Benefits Counseling Sessions**

Learn about the different types of benefits counseling sessions offered by CalSTRS.

- [CalSTRS and Your Retirement: Are you eligible to retire?](#)
- [CalSTRS and You: Are you an early or mid-career educator?](#)
- [Retirement Application Roundtable: Are you ready to fill out your retirement application?](#)
- [Other Sessions: Availability based on local demand and specific circumstances.](#)

- Interactive sessions
- Local offices
- Over the phone





# Thank You for Attending

Welcome to CalSTRS

Pop. 868,000

CalSTRS Members