CalSTRS Retirement Check-Up

Welcome and please sign in
CalSTRS is with you throughout your career and retirement.
Discussion Topics

• CalSTRS hybrid
• Retirement basics
• Preparing for retirement
• Retirement resources
Hybrid Retirement System

- Defined Benefit Program
- Defined Benefit Supplement Program
- CalSTRS Pension2®
Partners in Your Retirement

CalSTRS

- Defined Benefit
- Defined Benefit Supplement
- Survivor benefits
- Disability benefits
- One-time death benefit
- CalSTRS Pension2®
- 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

Three programs:

• Defined Benefit Program
• Defined Benefit Supplement Program
• CalSTRS Pension2

Three benefits:

• Retirement
• Disability
• Survivor
Contributions

• 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

<table>
<thead>
<tr>
<th>Defined Benefit Plans</th>
<th>Defined Contribution Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public and corporate pensions</td>
<td>403(b), 457, 401(K)</td>
</tr>
</tbody>
</table>

Once vested, provides a secure, stable retirement income for life regardless of your contributions.

The amount contributed is fixed, but the benefit is not. Funds are finite.
• CalSTRS 2% at 60: hired on or before Dec 31, 2012
• CalSTRS 2% at 62: hired on or after Jan 1, 2013
Service Credit

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

Service Credit × Age Factor × Final Compensation = Member-Only Benefit
Age Factor

A percentage determined by your age at 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 service credit increases age factor by 0.2 percent to a maximum of 2.4 percent

<table>
<thead>
<tr>
<th>Age</th>
<th>Fewer than 30 years</th>
<th>30 years or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>55½</td>
<td>1.460</td>
<td>1.660</td>
</tr>
<tr>
<td>58½</td>
<td>1.820</td>
<td>2.020</td>
</tr>
<tr>
<td>61½+</td>
<td>2.200</td>
<td>2.400</td>
</tr>
</tbody>
</table>

*For CalSTRS 2% at 60 members only*
Defined Benefit Formula

Service Credit \times \text{Age Factor} \times \text{Final Compensation} = \text{Member-Only Benefit}
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

- **Service Credit**: Work longer, make a purchase, or convert unused sick leave.
- **Age Factor**: Have more birthdays or 30 years of service credit.
- **Final Compensation**: Increase salary.

Get the highest benefit by increasing any part of the formula to get more money!
Remember: Benefit enhancements are only available to CalSTRS 2% at 60 members

- One-year highest final compensation
- Career factor
- Longevity bonus
One-Year Highest Final Compensation*

- 25 years of service credit

Use your ONE highest year of salary as final compensation

*For CalSTRS 2% at 60 members only
Career Factor

- 30+ years of service credit

Increases age factor by 0.2 percent to a maximum of 2.4 percent.

*For CalSTRS 2% at 60 members only*
**Longevity Bonus**

- 30+ years of service credit by December 31, 2010

<table>
<thead>
<tr>
<th>Number of Years</th>
<th>Monthly Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>$200</td>
</tr>
<tr>
<td>31</td>
<td>$300</td>
</tr>
<tr>
<td>32</td>
<td>$400</td>
</tr>
</tbody>
</table>
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
Olivia

- 61 1/2 year old career educator
- Olivia’s husband, Steve, is 62
- Mortgage is paid in full
- Set on retiring this year
Olivia has **30.800** years of service credit and **65** days of unused sick leave.
How will Olivia’s unused sick leave increase her total service credit at retirement?

\[
\frac{65 \text{ Unused sick leave days}}{182 \text{ Contract Days}} = 0.357 \text{ Service Credit Increase*}
\]

*Only 0.2 of converted sick leave can be used to reach a retirement milestone*
Olivia has **30.800** years of service credit plus **.357** of converted unused sick leave Service Credit for a total of **31.157** years.
Olivia’s Retirement Formula

Olivia is 61 1/2 years old. Her age factor is **2.2%**. However…
Olivia qualifies for the **career factor** because she has over 30 years of service credit, bringing her age factor to the maximum of **2.4%**.
Olivia has well over 25 years of service credit and is eligible to use her annual highest compensation for 12 consecutive months.

Olivia’s highest salary is $65,000/12 months = $5,416 for her final compensation amount.
Olivia’s total Member-Only Benefit before bonuses is $4,050 or approximately 75% of her final compensation.
Olivia’s total service credit of 31.157 qualifies her for a longevity bonus of $300 bringing her Member-Only Benefit to $4,350 or approximately 80% of final compensation.

*Must have reached 30 years of service credit by December 31, 2010.*
Defined Benefit Supplement Program

• Provides supplemental income to regular Defined Benefit pension

• 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
You may receive the contributions and interest in your Defined Benefit Supplement account as a:

- Lump-sum payment
- Monthly annuity payment, if your balance is at least $3,500

Check your Retirement Progress Report for account balances.
You will make two decisions before you retire with CalSTRS

• How will I choose to receive my Defined Benefit Supplement?

• Should I elect an option?
Benefit Options

- 100% Beneficiary Option
- 75% Beneficiary Option
- 50% Beneficiary Option
- Compound Option
Options have a “Pop-up” Feature

- Your pension is reduced* when you choose an option

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

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

*If your beneficiary dies before you retire, your retirement benefit may be permanently reduced
Olivia’s Option Choices

<table>
<thead>
<tr>
<th>Olivia’s Member-Only Benefit</th>
<th>Option Choice</th>
<th>Olivia’s Modified Benefit</th>
<th>Steve’s Beneficiary Income (if Olivia dies)</th>
<th>Olivia’s “pop-up” Benefit (if Steve dies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4,350</td>
<td>100%</td>
<td>$3,730</td>
<td>$3,730</td>
<td>$4,350</td>
</tr>
<tr>
<td>$4,350</td>
<td>75%</td>
<td>$3,885</td>
<td>$2,914</td>
<td>$4,350</td>
</tr>
<tr>
<td>$4,350</td>
<td>50%</td>
<td>$4,076</td>
<td>$2,038</td>
<td>$4,350</td>
</tr>
</tbody>
</table>
Preparing for Retirement

- **STEP 1**: Create a preretirement plan
- **STEP 2**: Know your retirement income goal
- **STEP 3**: Consider the gaps in your plan
- **STEP 4**: Create a post-retirement plan
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
Consider all sources of income available to you in retirement:

- CalSTRS monthly retirement benefit
- CalSTRS Pension2® and other tax-deferred accounts
- Other investments, including insurance
- Social Security through prior employment or spouse
• 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?
Does Olivia have a “gap”? 

Olivia’s Retirement Goal is 90% of her working income.
Olivia’s “Gap”

- CalSTRS retirement benefit (80%)
- Deferred compensation (3%)
- Defined Benefit Supplement (1%)
- Reduced living expenses (1%)

“Gap” = 5%
How to Bridge the “Gap”

- Purchase additional service credit
- Begin or increase contributions to deferred compensation account such as CalSTRS Pension2®
- Build Defined Benefit Supplement Account by working additional duties
- Work additional years
- Work in retirement
After reviewing her preretirement plan, Olivia plans to postpone retirement for two years to reach her 90% goal.
Create a post-retirement plan

STEP 4

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

- Annual benefit adjustment
- Purchasing power protection

Consider Direct Deposit

Quickest possible access to your monthly retirement payment.
Zero earnings limit/separation-from-service requirement for 180 days after retirement

2015–2016 earnings limit is $40,321

Earnings limit is set each July 1

No limit if work outside of California public schools

Cannot contribute to Cash Balance
Retirement and Beyond

Five Important Questions to Consider

- Do you have a will or trust?
- Do you have a health care power of attorney?
- Do you have health care coverage?
- Have you designated a beneficiary?
- Do you have a financial power of attorney?
Preretirement Timeline

1 Year
- Research your retirement decisions - read the CalSTRS publication: Your Retirement Guide

6 Months
- Submit your application
  - No earlier than 6 months prior to retirement
  - Submit online - through myCalSTRS account
- Attend a CalSTRS and Your Retirement Group Session

Retirement
- Receive your initial benefit payment
  - 30 to 45 days after your retirement date
- Member information
- Estimate calculators
- Forms and publications
- Planning resources
my CalSTRS

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

- New funding plan
- Funding outlook
- Know your benefits
- Ask Jack
- E-newsletters
- Join the conversation
• Understanding the Formula
• The Gap
• Refund – Consider the Consequences
• Defined Benefit Supplement
• Disability benefits
• Survivor benefits
• Social Security
• Pension2
Benefits Counseling

- Interactive sessions
- Local offices
- Over the phone
Welcome to Retirement
Pop. 230,278
CalSTRS Retired Members

Thank You for attending