

California State Teachers'
Retirement System

CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

Member Handbook

YOUR GUIDE TO CALSTRS BENEFITS

2007 – 2008

CalSTRS Resources



Web sites

www.CalSTRS.com
Click *Contact Us* to e-mail
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Call

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7 a.m. to 6 p.m.
Monday through Friday
TTY 916-229-3541

866-384-4457
Home Loan Program

800-699-4032
Voluntary Investment Program



Write

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



Fax

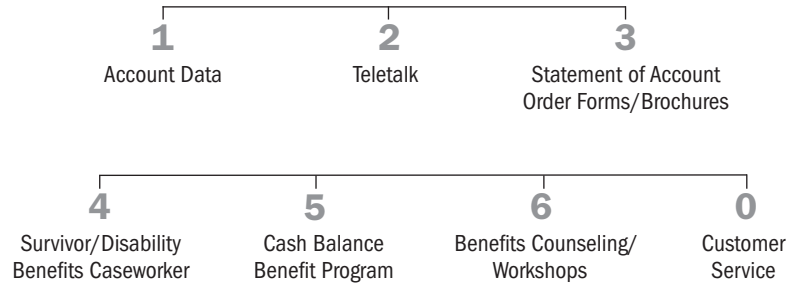
916-229-3879



Visit

Member Services
7919 Folsom Boulevard
Sacramento, CA 95826

Dial 800-228-5453 then press the numbers to access



The summarized data pertain to the Teachers' Retirement Law (California Education code 22000 et. seq.) and procedures effective January 1, 2007. The *Member Handbook* is intended as a ready source of information about CalSTRS and not as a legal document or a substitute for the law. If differences appear between the law and the handbook, the law must prevail.

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Dear Member,

Welcome to the California State Teachers' Retirement System. I am pleased to present the latest edition of the *Member Handbook*. Whether you are just beginning your career in education or are an experienced educator, this handbook will answer many of the questions you have about your benefit coverage. The information in it can help you make informed decisions during your active career and prepare fully for your retirement.

CalSTRS is the nation's largest teachers' pension fund and our dedicated, professional and conscientious staff work hard to improve service and responsiveness to your needs. Although we serve nearly 800,000 California educators and their families, we are committed to providing exemplary service to each and every person who calls, writes or visits CalSTRS.

Service to CalSTRS members and the security of the Teachers' Retirement Fund remain our highest priorities. We look forward to assisting you throughout your career and retirement.

Sincerely,

A handwritten signature in black ink that reads "Jack Ehnes". The signature is fluid and cursive, with a large initial "J" and "E".

Jack Ehnes
Chief Executive Officer

A Brief History of CalSTRS

The California State Teachers' Retirement System was established by law in 1913 to provide retirement benefits to California's public school teachers. Membership in the CalSTRS Defined Benefit Program includes all employees in California public schools from kindergarten through community college in positions performing creditable service under the Defined Benefit Program.

Teachers' Retirement Board

The Teachers' Retirement Board sets policies, makes rules for, and administers the California State Teachers' Retirement System. The board is also responsible for ensuring benefits are paid by the system in accordance with law.

Our 12-member Teachers' Retirement Board is made up of:

- Three member-elected positions representing current educators.
- A retired CalSTRS member appointed by the Governor and confirmed by the Senate.
- Three public representatives appointed by the Governor and confirmed by the Senate.
- A school board representative appointed by the Governor and confirmed by the Senate.
- Four board members who serve in an ex-officio capacity by virtue of their office: Director of Finance, State Controller, State Superintendent of Public Instruction and State Treasurer.

The board appoints a Chief Executive Officer to administer the system consistent with the board's policies and rules. The board also selects a Chief Investment Officer to direct the investment of the Teachers' Retirement Fund in accordance with board policy.

The board has seven standing committees: Audits and Risk Management, Benefits and Services, Board Governance, Investments, Compensation, Legislation and Appeals.

Teachers' Retirement Fund

The Teachers' Retirement Fund is a special trust fund established by law that holds the assets of the CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs. The assets come from contributions by employees, employers and the state of California. The fund's investments create a stream of income to add to those assets.

When selecting investments, the Teachers' Retirement Board applies standards of safety, diversification, liquidity and structure for a complete and profitable investment portfolio. The portfolio includes stocks, bonds, real estate and short-term investments. Within these categories, CalSTRS further diversifies by holding a variety of issues within each segment.

The Teachers' Retirement Fund portfolio market value was \$157.9 billion as of December 31, 2006. CalSTRS ranks as the nation's second-largest public pension fund.

For further information about Teachers' Retirement Fund investments, visit www.CalSTRS.com.

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1. Introduction

The *CalSTRS Member Handbook* is for full-time and part-time California public educators, their beneficiaries, retirees and others interested in the many benefits and services offered through the California State Teachers' Retirement System. This guide is designed to focus on the Defined Benefit Program and to explain its many components that can help you to a secure financial future including retirement, disability and survivor benefits as well as the Defined Benefit Supplement account. From program descriptions to retirement benefit formulas, examples and worksheets, this handbook can be used as a reference for retirement benefits, eligibility and planning. This guide also includes a Checklist for a Secure Financial Future on the back cover and a Retirement Application Timeline in Section 6, Your Retirement Benefit.

Quick Start Guide to CalSTRS Benefits and Services

The following briefly introduces the main CalSTRS program benefits and indicates where to look in this handbook for more information on each topic.

Defined Benefit Program

As a Defined Benefit Program member, your retirement is guaranteed for life once you become vested with five years of service credit and are eligible to retire. Your retirement benefit is a steady source of income and is based on your age, final compensation and years of service credit at retirement, not on how much is in your account. If you are employed full time to perform creditable service in a California public school or community college, your membership in CalSTRS begins on your first

day of employment. You contribute 8 percent of your pay as a CalSTRS member.

For an overview of your Defined Benefit Program membership and benefits, see Section 2, Your Membership and Benefits.

Defined Benefit Supplement Program

Your Defined Benefit Supplement account will provide you additional retirement income based on the amount in the account. One-fourth of your CalSTRS 8 percent payroll contribution will be allocated to your DBS account through 2010. If you earn more than one year of service credit in a school year, contributions from both you and your employer will also go into this supplemental account until you retire.

For information on this account, see Section 2, Your Membership and Benefits. For information on how benefit choices affect the Defined Benefit Supplement account, see Section 6, Your Retirement Benefit.

Disability Benefits

Once you are vested and meet the eligibility requirements, disability benefits may be half your highest average annual salary, plus another 10 percent for each eligible child, up to a total of 90 percent, until the child reaches age 21 or 22, depending on coverage. The member's portion of the disability benefit continues for life, as long as you are disabled under Coverage B. Under Coverage A, the benefit may change at age 60.

See Section 8, Disability Benefits.

Survivor Benefits

Depending on your amount of service credit and if you die before or after retirement, your survivor could receive a refund of the balance in your retirement account, a one-time amount and/or a monthly benefit.

See Section 9, Survivor Benefits.

Medicare Premium Payment Program

CalSTRS does not provide health insurance coverage; however, CalSTRS will pay the Medicare Part A premium for Defined Benefit members who retire before July 1, 2012, depending on eligibility. All benefit recipients may authorize CalSTRS to deduct Medicare Part B and other group insurance premiums from their monthly benefit check.

See Section 5, Approaching Retirement.

Cash Balance Benefit Program

The Cash Balance Benefit Program is CalSTRS' alternative retirement program that employers may choose to offer part-time educators. With the Cash Balance Benefit Program, employers must contribute 4 percent of the salary you earn as a part-time employee. You usually pay 4 percent; however, your contribution rate may be collectively bargained with your employer.

See Section 3, Benefits for Part-Time Educators.

Voluntary Investment Program

If your district participates in this 403(b) program, you can set aside even more retirement funds through tax-deferred savings. CalSTRS oversees the Voluntary Investment Program's competitively priced services and investment options.

See Section 4, Building Your Financial Future.

Home Loan Program

The CalSTRS Home Loan Program is open to active, inactive and retired CalSTRS members and Cash Balance Benefit Program participants. Several options are available for a conventional home purchase or refinance loan.

See Section 4, Building Your Financial Future.

CalPERS Long-Term Care Program

You and some members of your family are eligible for the CalPERS Long-Term Care Program.

See Section 5, Approaching Retirement.

Where You Can Find Information

Throughout your career in California's public school system, and the years to follow, you and your dependents can rely on CalSTRS as a trusted resource. Our customer service representatives are available to answer your questions online or by calling our toll-free number at 800-228-5453. Our benefits counselors can help you build a CalSTRS retirement plan to meet your specific needs. See Section 4, Building Your Financial Future, for details on setting up an appointment with a counselor.

You can contact us in the following ways:

Visit Our Web Site

The CalSTRS Web site at www.CalSTRS.com provides current information for members, employers and anyone interested in CalSTRS. The CalSTRS site includes such useful features as the *Retirement Benefit Calculator*, which allows you to estimate your retirement benefit. You can also order and download forms and publications. To send an e-mail, go to www.CalSTRS.com/ContactUs.

myCalSTRS

Registered *myCalSTRS* users can access certain personal account information online in a secure environment. Defined Benefit members have access to Form 1099-Rs beginning with 2000, and annual statements and benefit payment stubs beginning with 2002. Cash Balance Benefit Program participants have access to Form 1099-Rs and benefit payment stubs beginning with 2003 and annual statements beginning with 2004.

You can also review your tax withholding and beneficiary choices or update your mailing address and telephone number. The Online Messaging feature allows you to send and receive confidential information. Go to www.CalSTRS.com and log in or register to access *myCalSTRS*.

Call Us

Call us at 800-228-5453 and select an option as follows:

Press	For:
1	Account Data.
2	Teletalk, a recorded message system. Then press the three-digit code for information on a variety of topics. A partial list follows; see the complete Teletalk call list in Section 12.
3	Ordering forms, brochures and duplicate annual statements of accounts or 1099s.
4	Survivor/Disability caseworkers.
5	Cash Balance Benefit Program information.
6	Benefits Counselors/Workshops.
0	Member Services representatives – 7 a.m. to 6 p.m. Monday – Friday.

Publications and Newsletters

For additional information, you can order the following publications. To order publications go to www.CalSTRS.com or call 800-228-5453 and press 3.

CalSTRS Connections newsletter for active members
 Cash Balance Benefit Program Information Packet
Community Property Information
Comprehensive Annual Financial Report
Home Loan Program Fact Sheet
Join CalSTRS? Join CalPERS?
Member Handbook
Purchase Additional Service Credit
Refund: Consider the Consequences
Retired Educator newsletter for retired members and other benefit recipients
Social Security, CalSTRS and You
Tax Considerations for Rollovers
Your Retirement Guide (Service Retirement Application)
Retirement: Your Next Journey (A Benefits Overview CD)

Teletalk – Automated Information Service via Your Telephone

The CalSTRS Teletalk information system provides recorded messages giving general information on a variety of CalSTRS subjects. To access the Teletalk system, call 800-228-5453 and then press 2. Teletalk calls are answered electronically and you can choose topics easily via your telephone keypad, for example:

Enter:	For this key topic:
100	General Information
150	Membership, Service Credit and Contributions
200	Benefits Counseling
250	Purchase of Additional Service Credit and Redeposits
300	Pre-Retirement Election of an Option
350	Service Retirement
400	Disability Benefits
420	Coverage A, Disability Allowance and Rehabilitation Program
450	Coverage B, Disability Retirement and Rehabilitation Program
500	Death Benefits
520	Coverage A, Family Allowance Program
550	Coverage B, Family Allowance Program
600	Increases in Benefits
650	Tax Liability
700	Refund of Contributions
750	Voluntary Investment Program
900	Cash Balance Benefit Program

You can find a complete list of Teletalk message codes and topics at the end of this guide.

Recent Legislative Changes to CalSTRS Benefits

- Pension Protection Act of 2006 - The PPA allows for eligible rollover distributions to Roth IRAs, non-taxable amounts to be paid into qualified plans and direct rollovers to be made to any designated beneficiary. Therefore, CalSTRS will allow any designated beneficiary of a member to make a direct rollover of eligible payments, including registered domestic partners, who were previously prohibited from making direct rollovers.
- Effective January 1, 2007, a monthly benefit will be provided to dependent children who become eligible on or after January 1, 2007, under Coverage B Survivor Benefits when there is no surviving spouse or partner at the time of the active member's death.

The Governor and Legislature occasionally make statutory changes that may affect your CalSTRS benefits and that may affect any decision you make concerning your career or retirement. CalSTRS makes every effort to communicate these changes to our members, but legislation can undergo rapid change.

To stay informed about any possible legislative benefit changes, consult a variety of sources including the California State Legislative Counsel Web site at www.leginfo.ca.gov or your union or elected legislative representatives. You may also call CalSTRS at 800-228-5453 or visit www.CalSTRS.com.

2. Your Membership and Benefits

Whether you are a full-time or part-time educator, the California State Teachers' Retirement System provides you benefits and services to build a strong, stable financial future.

This section includes an explanation of membership and the basic benefits in the Defined Benefit Program and describes the Defined Benefit Supplement Program. These programs are two of three components that can help you achieve the lifestyle you desire at the end of your working career. The third component is your own optional retirement savings, such as a 403(b) tax-deferred savings plan. CalSTRS offers such a plan, the Voluntary Investment Program, which you can read about in Section 4, Building Your Financial Future.

This section also explains the Cash Balance Benefit Program, an alternative retirement plan for part-time educators.

Membership in the CalSTRS Defined Benefit Program

The CalSTRS Defined Benefit Program is available to employees of the California public school system, kindergarten through community college, in positions that require a credential, certificate, or permit or require the employee to meet minimum standards adopted by the Board of Governors of the California Community Colleges.

Only activities identified as creditable service are subject to Defined Benefit Program coverage, that is, count toward years of service for CalSTRS retirement purposes. These activities include teaching, vocational or guidance counseling, services related to school curriculum and a variety of administrative duties.

If you are a classroom teacher or are performing other activities that are creditable service, you may be a Defined Benefit Program member as mandated by law or you may be eligible to elect membership.

Employees performing creditable service in a charter school are subject to coverage only if the charter of the school provides for participation in the CalSTRS Defined Benefit Program.

Mandatory Membership

If you are employed to perform creditable service on a full-time basis, you will automatically become a Defined Benefit Program member on the first day of employment.

Full time is defined as the number of days or hours in a school year that the employer requires a class of employees to work. For example, under a collective bargaining or employment agreement, an employer might require guidance counselors in a high school to work a specific number of days each school year. Therefore, guidance counselors would constitute a class of employees. For more information about what constitutes full time and class of employees, see the glossary.

Many teachers and others who perform creditable service are not hired to work full time. For those educators hired to work on a part-time, substitute or hourly basis, CalSTRS offers an alternative retirement plan called the Cash Balance Benefit Program. However, providing the program is optional for employers.

Mandatory Defined Benefit Program membership requirements vary, depending on an individual's employment status and whether or not the employer offers the Cash Balance Benefit Program to their part-time employees.

For details on the Cash Balance Benefit Program and part-time educators, see Section 3, Benefits for Part-Time Educators.

Benefit Eligibility

You will be eligible for or vested with a right to a lifetime retirement benefit when you have accumulated five years of service credit under the Defined Benefit Program. You can retire as early as age 50 if you have at least 30 years of service credit. You can retire at

age 55 with five years of service credit. For information on the eligibility requirements for disability and survivor benefits available to active members, see Section 8, Disability Benefits, and Section 9, Survivor Benefits.

Membership When Cash Balance Is Offered

In school districts, county offices of education or community college districts that offer the Cash Balance Benefit Program, the following mandatory Defined Benefit Program membership requirements apply:

Employment Status	Mandatory DB Membership Begins
K-12 and/or county office of education on a part-time, hourly or daily basis or contracted for more than 50 percent of full time position:	First day of the pay period following employment to perform creditable service for 50 percent or more of the full time position.
Community college district hired on a part-time basis:	First day of the pay period following employment to perform creditable service. Mandatory DB membership does not apply to temporary employees of adult education or community college districts.

Membership When Cash Balance Is Not Offered

In school districts, county offices of education or community colleges that do not offer the Cash Balance Program, the following mandatory Defined Benefit Program membership requirements apply:

Employment Status	Mandatory DB Membership Begins
K-12/county office of education – part-time hourly:	First day of the pay period following the pay period in which at least 60 hours of creditable service was performed.
K-12/county office of education - part-time daily:	First day of the pay period following the pay period in which 10 days of creditable service was performed.
K-12/superintendent's office/community college district substitute:	Same as above except for 100 or more complete days during the school year
Community college district hired on a part-time basis:	First day of the pay period following employment to perform creditable service. Mandatory DB membership does not apply to temporary employees of adult education or community college districts.

Calculating Your Defined Benefit Retirement

Benefit Formula:

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

The formula for calculating a Member-Only Defined Benefit retirement includes three elements: service credit, age factor and final compensation. For details on calculating your Defined Benefit, see Section 6, Your Retirement Benefit.

Membership for Part-Time Employees

As long as your basis of employment remains part-time, substitute or temporary, you have the choice of participating either in the Defined Benefit Program or the Cash Balance Benefit Program — if you are employed in a district that offers the CB Benefit Program. If you choose the CB Benefit Program and your basis of employment changes, you may automatically become a member of the Defined Benefit Program (see charts at left for noted exceptions). For details on benefits for part-time employees, see Section 3, Benefits for Part-Time Educators.

Part-Time or Substitute Employees Electing Defined Benefit Program Membership

Anyone who performs creditable service in the California public school system is eligible to elect membership in the Defined Benefit Program.

If you are hired as a substitute or on a part-time basis and your basis of employment does not qualify you for mandatory membership, you may still elect to become a member of the Defined Benefit Program. Your employer must formally notify you of your right to elect membership in the program within 30 days of hire.

You can elect membership only during a pay period in which you actually performed creditable service, and you must elect membership on the appropriate form provided by your employer. The effective date of membership is the first day of the pay period in which the election is made.

Contributions to Your DB and DBS Accounts

Member Contributions

As a member of the Defined Benefit Program, you contribute 8 percent of your creditable compensation as identified in the Teachers' Retirement Law. Your employer can pay all or a portion of member contributions.

Contributions are withheld from your creditable compensation by payroll deduction and credited to your Defined Benefit and Defined Benefit Supplement accounts. For details on your DBS account see Defined Benefit Supplement Program later in this section.

“Employer Pick-Up” of Member Contributions

Most employers participate in the “Employer Pick-Up” Program under a provision of the Internal Revenue Code (Section 414[h][2]). The member's contributions to CalSTRS are “picked-up” by the employer for the sole purpose of deferring income taxes on that portion of compensation. The contributions must be deducted from your compensation and are considered creditable compensation for retirement purposes.

These tax-deferred member contributions are credited to your account as “Employer-Paid Member Contributions.” Those contributions are taxable when returned to you or a beneficiary in a lump sum or monthly benefit. For more information on taxes, see Section 10, Tax Information and Legal Matters.

Employer Contributions

The employing school district, community college district or county superintendent of schools contributes to CalSTRS an amount equal to 8.25 percent of the creditable compensation paid to every employee who is a member of the Defined Benefit Program. Employer contributions are not credited to individual member DB accounts but are deposited in the Teachers' Retirement Fund to help fund the benefits payable to all members and their beneficiaries.

State Contributions

The state of California contributes 2.017 percent of the creditable earnings from the fiscal year ending in the prior calendar year. Additionally, the state contributes an amount equal to 2.5 percent of the total creditable compensation paid to all CalSTRS DB Program members during the fiscal year ending in the prior calendar year for the Supplemental Benefit Maintenance Account. This is used to maintain the purchasing power of benefits at prescribed levels.

How Interest is Credited to Your Accounts

At the end of each fiscal year, interest is credited to the accumulated contributions and interest in each member's Defined Benefit and Defined Benefit Supplement accounts at the credited interest rate. Each credited interest rate is adopted annually by the Teachers' Retirement Board and is currently set at a rate that approximates the yield on two-year Treasury notes for the Defined Benefit Program and the 30-year Treasury rate for the Defined Benefit Supplement Program. The current rates, compounded daily, are 4.25 percent for Defined Benefit and 4.75 percent for Defined Benefit Supplement accounts. These interest rates are valid through June 30, 2007. The rates for July 1, 2007-June 30, 2008 are 5.25 percent for both Defined Benefit and Defined Benefit Supplement accounts.

Defined Benefit Account

Interest is credited to your Defined Benefit account primarily to provide a lump-sum

benefit to you if you terminate all creditable service and withdraw your contributions or to your beneficiaries if you die without survivors who are eligible for monthly benefits.

As a Defined Benefit Program member, your retirement benefit will be calculated using a formula established by law based on your age, years of service credit and final compensation. The amount of total contributions and interest in your Defined Benefit account is not used to calculate either your or your beneficiary's future monthly benefit. This is a lifetime benefit regardless of the funds you have contributed to your account.

Defined Benefit Supplement Account

The credited interest rate for the Defined Benefit Supplement Program is not necessarily the same as for the Defined Benefit Program. The rate cannot be less than the rate for the Defined Benefit account. The interest is included in the amount payable to you.

Borrowing Against Your Accounts

State law does not permit you to borrow against your accumulated contributions and interest on account with CalSTRS.

Retirement Progress Report

Every year you receive a *Retirement Progress Report* that contains an annual statement of account for your Defined Benefit and Defined Benefit Supplement accounts and a retirement planning guide. The annual statement of account is one of your most important CalSTRS records and should be reviewed carefully.

The *Retirement Progress Report* is mailed to you, usually in late December. It gives your account status as of June 30 of that school year.

The report is sent to the mailing address on file with CalSTRS. You can update your mailing address through your employer or online at *myCalSTRS*. In addition to current members, *Retirement Progress Reports* are also sent to inactive members, that is, members who have a balance remaining in their Defined Benefit account, but did not perform creditable service during the prior school year.

If you do not receive a *Retirement Progress Report* in the mail, you can view and print your DB and DBS statements of account online. Go to www.CalSTRS.com and log in or register to use *myCalSTRS*. You can also call us at 800-228-5453 to request a statement.

Note: *Retired members and benefit recipients do not receive a Retirement Progress Report.*

What's on Your Annual Statement of Account

Examine your annual statement carefully each year for accuracy and file it with your important employment or financial records. Your annual statement includes:

- Beginning balances of your service credit and contributions and interest credited on member contributions as of July 1 of the previous school year.
- Ending balances of your service credit and contributions and interest earned on member contributions as of June 30 of the just-completed school year.
- Information about the just-completed school year, July 1 through June 30, which also includes:
 - Interest credited on your accumulated contributions.
 - Service credit you earned.
 - Contributions credited to your Defined Benefit and Defined Benefit Supplement accounts.

The service credit shown on your annual statement of account is based on the creditable compensation earned and annual earnable compensation for the full-time position as reported by your employer(s) to CalSTRS. The member contributions are the contributions that your employer(s) reported to CalSTRS.

If you believe there is a discrepancy on your annual statement, contact your employer's department that reports your time to CalSTRS.

Adjustments made to service credit and contribution data after June 30 will be included in your next annual statement of account included in your *Retirement Progress Report*. If you have purchased additional service credit or redeposited contributions that were previously refunded, the changes will first appear on your annual statement of

account for the school year during which the final payment was made.

In addition to your DB and DBS statements of account, the annual statement included in the *Retirement Progress Report* provides:

- An explanation of your Coverage A or Coverage B for disability and survivor benefits.
- The name of your one-time death benefit recipient or recipients, formerly called “designated beneficiary.”
- The name of your option beneficiary or beneficiaries.
- Two estimates of your pension based on your age and account balance at the end of the previous school year if you are age 45 or older.

What if You Become Disabled?

As a member of the Defined Benefit Program you have disability protection under one of the CalSTRS disability benefit programs, Coverage A or Coverage B. Once you are vested and meet the eligibility requirements, and you have a medically determinable physical or mental impairment that prevents you from performing your usual job or comparable duties, you may apply for disability benefits. The impairment must be expected to last at least 12 continuous months. For details, see Section 8, Disability Benefits.

What Happens When You Die?

The Defined Benefit Program provides benefits to your survivors when you die either before or after retirement. Your survivors may be eligible to receive either a lump-sum payment or monthly benefits with additional benefits for dependent children. These benefits provide a basic level of security for your survivors. The benefit depends on the options you choose and whether you have Coverage A, Family Allowance or Coverage B, Survivor Benefit. Therefore, it is important to keep a valid and current *One-Time-Death Benefit Recipient* form on file at CalSTRS. For details, see Section 9, Survivor Benefits.

Less than One Year of Service Credit

If you have earned less than one year of service credit at the time of your death, a refund of your accumulated contributions plus interest is paid to your death benefit recipient(s) or to your spouse or registered domestic partner, if appropriate.

One or More Years of Service Credit

If you have earned one or more years of service credit at the time of your death, your named death benefit recipient(s) may be eligible to receive a one-time death benefit in addition to the refund of the accumulated contributions and interest.

One-Time Death Benefit

A one-time death benefit is payable to your designated recipient or recipients under both disability and survivor benefits, Coverage A and B. The amount of the benefit depends on your coverage and whether death occurs before or after retirement. If you do not name a recipient, your estate receives the one-time death benefit. For more information, see Section 9, Survivor Benefits.

For information on how dissolution of marriage or termination of a registered domestic partnership may affect your one-time death benefit recipient designation, see Section 10, Tax Information and Legal Matters.

If You Terminate Your CalSTRS-Covered Employment

Termination of CalSTRS-covered employment and a subsequent refund of your accumulated contributions plus interest cancel any eligibility for monthly benefits from CalSTRS.

Survivor or Disability Benefits

Termination of CalSTRS-covered employment for four consecutive months or more may eliminate your eligibility for survivor or disability benefits. This time limit does not apply to eligibility for service retirement.

Exceptions to the Four-Month Limit

The four-month limit does not apply if you die during an approved leave of absence of up to 12 months for a reason other than disability or military service.

Eligible recipients may receive a one-time death benefit and/or a monthly benefit under the following two circumstances:

- If medical reports show that you became incapacitated within four months of your last day of service — and remained continuously incapacitated to the date of death, or
- If you were receiving a disability benefit under Coverage A.

Refunding Your CalSTRS Contributions

Defined Benefit Account

Your Defined Benefit Program contributions, plus interest, are refundable upon termination from all employment to perform creditable service in any California public school.

Upon receipt of a completed refund application, CalSTRS will refund all your Defined Benefit member contributions, including tax-deferred member contributions under the Employer Pick-Up Program, plus credited interest on your money. Partial refunds are not permitted. Employer and state contributions are not refundable.

It is important to note that a refund of your contributions terminates your CalSTRS membership and you will not be eligible for any benefits from CalSTRS, including a lifetime monthly retirement benefit.

Defined Benefit Supplement Account

If after termination of employment you have not performed creditable service for six months and you have received a refund of your Defined Benefit account, CalSTRS will refund your Defined Benefit Supplement account after you respond to CalSTRS correspondence regarding the payout. If you return to CalSTRS-covered employment, you cannot redeposit your DBS funds and only one withdrawal will be allowed in a five-year period.

Consider a Refund Carefully

If you have fewer than five years of service credit and do not plan to return to teaching and you are not eligible for retirement with any of the California public systems listed under Retiring From More Than One Public Retirement System in Section 6, you may be considering a refund. However, if you are a career teacher with substantial service credit, or you are eligible for retirement with another California public system and are approaching age 55, we highly recommend you learn more about the consequences of taking a refund.

Consequences of a Refund

- If you withdraw your contributions and interest before age 59½, the distribution may be subject to income tax and a 10 percent federal excise tax as well as a 2.5 percent state excise tax.
- If you return to membership after taking a refund and later redeposit contributions and interest:
 - Your membership date changes to your return date.
 - You will be covered under Coverage B for survivor and disability benefits even if you had Coverage A before.
 - You must accumulate a year of service credit before you are eligible for CalSTRS benefits.

Important: If you return to membership and wish to receive full retirement benefits from your past membership with CalSTRS, you must fully buy back the service credit represented in the refund.

More Refund Information

For more refund information, go to www.CalSTRS.com or call 800-228-5453 and order *Refund: Consider the Consequences*. You may also call CalSTRS and select the Teletalk option and then enter 700.

Redeposits – Restoring Service Credit

Redepositing allows you to restore the service credit represented by refunded contributions. If you return to teaching or other CalSTRS-covered employment or become eligible for retirement with another California public retirement system, you may elect to buy back past Defined Benefit Program refunded service credit by redepositing your prior refunded contributions plus regular interest. For a list of these other California systems, see *Retiring From More Than One Public Retirement System* in Section 6.

The longer the elapsed time between refund and redeposit, the higher the redeposit amount will be.

You may not redeposit refunded Defined Benefit Supplement contributions and interest.

Before you are eligible for CalSTRS benefits, you must have earned at least one year of service credit after you received the most recent refund of accumulated retirement contributions, unless you are retiring concurrently with another California public retirement system.

You may choose to restore a portion, rather than all, of the service credit you forfeited when you took a refund.

Redepositing does not re-establish your earlier membership date or benefits that may have been available to you before you received a refund.

In some community property settlements, a member's service credit, contributions and interest are divided to create a separate account for the former spouse or registered domestic partner. If the former spouse or partner takes a refund of his or her account, the member can then choose to restore all or a portion of the service credit awarded to the former spouse or partner.

Former Local Service Members

Local Service credit listed on a 2005/2006 annual statement in your *Retirement Progress Report* is not fully funded. You will receive only a maximum of \$2.40 per year of Local Service credit toward your retirement benefit. Please contact CalSTRS to fully fund this service.

Cost to Redeposit

The amount you need to redeposit and the benefits from restoring service credit will vary depending on your individual situation.

For example, a teacher who withdrew \$10,000 (representing three years of service) in May 1993 and wants to purchase those years of credit in April 2007, would be required to redeposit \$23,205.

For more information on purchasing service credit, see Section 6, *Your Retirement Benefit*. If you are considering a redeposit, order the *Purchase Additional Service Credit* brochure from www.CalSTRS.com or call CalSTRS at 800-228-5453.

Any redeposits must be fully paid by December 31, 2010, if the restored service credit is to be used for longevity bonus eligibility.

Defined Benefit Supplement Program

Since January 1, 2001, each active Defined Benefit member has had established for them a Defined Benefit Supplement account. This account will be available to you when you begin to take a Defined Benefit monthly benefit or six months after you terminate CalSTRS-covered employment. The account receives funds from three sources in addition to interest.

One source is 2 percent of your creditable compensation, which is one-fourth of your contribution to CalSTRS. This amount will automatically go into your DBS account from January 1, 2001, through 2010. There will be no change in the 8 percent retirement contribution currently withheld from your paycheck. The redirection of contributions to your DBS account will not affect your CalSTRS DB retirement benefit.

In addition, since July 1, 2002, if you earn more than one year of service credit in a school year, your contributions and most of the employer contributions from your earnings in excess of one year will be allocated to your DBS account. This provision will not end at the end of 2010, as does the redirection of the member contribution mentioned earlier.

Lastly, some members receive special limited-term payments or compensation intended to enhance their Defined Benefit retirement benefits. Effective July 1, 2002, member and employer contributions on these payments are credited to the Defined Benefit Supplement accounts.

The funds in the DBS accounts earn interest at a rate set at the beginning of each plan year, July 1 through June 30, by the Teachers' Retirement Board, based on the 30-year Treasury rate. At the end of each year, if actual earnings exceed the board-set interest rate, the board may declare an additional earnings credit.

Contributions into the Defined Benefit Supplement account will not affect your ability to make contributions into a 403(b) or similar tax-deferred savings plan.

Access to DBS Funds

Funds available at retirement or at termination of employment will vary, depending on your salary, overtime compensation and the interest the account has earned. All contributions and interest in your Defined Benefit Supplement account will appear on your DBS annual statement of account which is contained in your *Retirement Progress Report*.

Your funds will be available to you when you begin to take a Defined Benefit monthly benefit or six months after you terminate CalSTRS-covered employment. If you return to CalSTRS-covered employment after withdrawing your DBS funds, you will have to wait five years before you can make another withdrawal.

The DBS account beneficiaries are the same as the beneficiaries named on your Defined Benefit account. Defined Benefit Supplement account funds can be withdrawn only when you die, become disabled, retire or six months after terminating CalSTRS-covered service. Please note that you cannot borrow against your Defined Benefit Supplement account.

You can choose to receive the balance of the contributions and interest in your Defined Benefit Supplement account as a:

- **Lump-sum payment** – Only choice if you are receiving a refund or your account is less than \$3,500.
- **Monthly payment** – If the balance is at least \$3,500, you may choose one of the following annuity types to distribute payment over your and your beneficiary's lifetime, based on the option you chose for your Defined Benefit payment:
 - Member-Only Annuity
 - 100% Beneficiary Annuity
 - 75% Beneficiary Annuity
 - 50% Beneficiary Annuity
 - Period-Certain Annuity
 - Combination of Lump-Sum Payment and Annuity

For details on the Defined Benefit Supplement account annuity options, see Section 6, Your Retirement Benefit.

Changing Employment to a Different Public Retirement System

Occasionally, teachers or others who perform CalSTRS creditable service change employment to positions that are subject to coverage by another California public retirement system. For example, a classroom teacher may take a position as a human resources specialist in the district office, a position usually subject to California Public Employees' Retirement System coverage. On the other hand, a human resources specialist may decide to take a teaching position, a position usually subject to CalSTRS coverage. CalSTRS or CalPERS members who change

employment subject to coverage by the other system will have an opportunity to continue coverage or change to the other system.

The two systems are treated differently for Social Security coverage. CalSTRS members do not participate in Social Security, but CalPERS members do. Members of either system are urged to contact the Social Security Administration at 800-772-1213 to determine how the change will affect any Social Security benefit due the member.

If You Change to a CalPERS Position

If you are a member of the CalSTRS Defined Benefit Program and become employed by the same or a different school district, community college district, county superintendent of schools or have limited state of California employment to perform service that requires membership in the California Public Employees' Retirement System, you may elect, within 60 days of the date of your new employment, to continue coverage under the CalSTRS Defined Benefit Program. If you do so, service in your new position, normally subject to coverage by CalPERS, would be treated as creditable service under the CalSTRS Defined Benefit Program.

The election:

- Must be made within 60 days of the date of hire into the new position.
- Must be done on the appropriate form provided by the employer.
- Is effective as of the date of hire into the new position.
- Is irrevocable and applies to all service in that position.

If a CalPERS Member Changes to a CalSTRS Position

Certain members of CalPERS who subsequently are employed to perform CalSTRS creditable service can elect within 60 days of their new hire date to continue coverage under CalPERS for all subsequent CalSTRS creditable service. This applies to CalPERS members employed by:

- A school district.
- The Board of Governors of California Community Colleges.
- The state Department of Education as of January 1, 2002.
- A local or state agency not listed above (only applies to vested CalPERS members).

The election:

- Must be made within 60 days of the date of hire into the new position.
- Must be done on the appropriate CalSTRS form provided by the employer.
- Is effective as of the date of hire into the new position.
- Is irrevocable and applies to all service in that position.

Dual Membership

Members of CalPERS who are employed on a full-time basis and accept part-time employment to perform creditable service covered by the CalSTRS Defined Benefit Program can permissively elect membership in CalSTRS and have their part-time service reported to CalSTRS.

Information on Both Systems

To help you compare both systems, review the benefit information in this handbook, as well as the benefit information booklet provided by CalPERS. Both publications are available from your employer.

In addition, the CalSTRS brochure *Join CalSTRS? Join CalPERS?* outlines and contrasts the basic benefits of the two systems. For a copy, visit www.CalSTRS.com, ask your employer or call CalSTRS at 800-228-5453.

3. Benefits for Part-Time Educators

This section is for the part-time educator. As a part-time educator you have access to all the benefits that CalSTRS offers. However, your part-time status presents you with special considerations in retirement planning. As a part-time educator, you have additional decisions about which retirement plan coverage to choose, as well as issues to consider that are unique to part-time employment.

Retirement Plans for Public School Employees

Federal law requires all employees to be covered under a retirement plan. California state law requires all public school employers to provide the CalSTRS Defined Benefit Program. For employees in certificated positions whose time base is less than half-time, public school employers must also offer either Social Security or another retirement program as an alternative to Social Security. The CalSTRS Cash Balance Benefit Program, described later in this section, is one example of an alternative to Social Security. Your employer may offer other alternative retirement programs. See your employer for full details about the specific programs it offers.

Choosing the Plan That's Right for You

If your basis of employment is less than 50 percent of full-time, here are some questions that may help you decide which retirement plan coverage is best for you:

- Do you plan to be a career teacher?
- Does teaching provide you supplemental income or is it your primary source of income?
- Prior to teaching, did you have employment that required you to pay into Social Security?

- What is the contribution rate for the plan and does the employer also make contributions?
- Is there a minimum requirement to be eligible for benefits?
- Does the plan charge administrative fees?
- Is there a guaranteed annual interest rate?
- Does the plan have a record of sound investment experience?
- When does the plan permit distribution of your account?

Retirement Options for Public School Educators

Defined Benefit Program

Members of the CalSTRS Defined Benefit Program who are employed on a part-time or adjunct basis are a distinctive group within the CalSTRS system. Your retirement benefit calculation uses the same components as a member who works full time: age factor, final compensation and service credit, as described earlier in Section 2, Your Membership and Benefits.

However, for you, two of those components, final compensation and service credit, are determined differently from full-time educators. Your final compensation and service credit depend on the amount you would have earned if you were working full time in your position. This amount of work is called full-time equivalent and this amount of compensation for the full-time equivalent is called earnable compensation.

Full-Time Equivalent

The full-time equivalent is the time that a member who is employed on a part-time basis would be required to work in one school year if he or she were employed full time in that position. For members employed in a community college or as an adult education instructor on a part-time basis, the FTE must be identified specifically in either the

collective bargaining agreement or in the employment agreement. The FTE stated in the agreement must be at least the minimum number of days or hours specified by law.

Note: The FTEs listed below are minimum standards; your individual FTE could be higher if your employer requires full-time employees to work more days or hours in that same activity in a school year.

It is important to make sure that your employers determine your FTE properly. Different assignments, even with the same employer, may have different FTEs. Refer to your employment agreement or collective bargaining agreement to obtain your

employing district's established FTE for your type of employment. If you see a discrepancy, contact that employer's office that reports earnings to CalSTRS.

Calculating Earnable Compensation

Your earnable compensation (also known as compensation earnable) is not the salary you actually were paid, but what you would have been paid if you worked full time in that position. Therefore, you take the hourly or daily rate for that position and multiply it by the full-time equivalent for the position to determine your earnable compensation.

Calculating Final Compensation

Another key component of your retirement calculation is final compensation. Your final compensation is equal to the highest average annual earnable compensation for three consecutive years, or 12 consecutive months if you have earned 25 years of service credit.

Calculating Service Credit

For part-time and adjunct faculty, service credit for one school year is equal to how much you actually earned in an assignment

Minimum Full-Time Equivalent	
If you are a:	Then the <i>minimum</i> FTE is:
Part-time community college instructor	525 instructional hours, plus mandatory office hours, if paid
Community college adult education instructor	875 instructional hours, plus mandatory office hours, if paid
K-12 teacher or any other person who works directly with pupils, including an instructor in an adult education program	175 days or 1,050 hours

Part-time Community College and Adult Education Instructor Service Credit

In one school year, Juanita teaches as a community college instructor for 262.5 hours, which is half of the FTE in her district. She also works as an adult education instructor for 350 hours or 40 percent of the FTE for that position.

	Percent Time Worked	Minimum FTE	Actual Earnings		Full-Time Rate	= Service Credit Earned
Community College Instructor	50% (262.5 hours)	525 hours	\$15,000	÷	\$30,000	= .500
Adult Education Instructor	40% (350 hours)	875 hours	\$10,800	÷	\$27,000	= .400
Total Service Credit						= .900

Juanita would earn .900 of service credit for the year.

Part-time K-12 Teacher Service Credit

During the school year, Janet taught 30 percent of the FTE for K-12 teachers in her district, or 315 hours. The full-time pay rate was \$42,000. Because she worked every day of her 30 percent teaching contract, she earned \$12,600 for the school year.

	Percent Time Worked	Minimum FTE	Actual Earnings	÷	Full-Time Rate	= Service Credit Earned
K-12 Instructor	30% (315 hours)	1,050 hours	\$12,600	÷	\$42,000	= .300

Janet would receive .300 of service credit for the year.

divided by your earnable compensation for that assignment. When a member works multiple assignments, service credit is the sum of the service credit earned in each individual assignment, up to one year of service credit in a school year.

Raising Your Defined Benefit Retirement Amount

Increasing Service Credit with Additional Assignments

If you work on a part-time or adjunct basis, you may wish to consider taking on additional assignments to earn more service credit if you are not earning one full year of service credit under your existing assignment. Service credit can now be earned for activities such as teaching summer school and intersession, paid office hours, attending staff development days and serving as a coach, band director, yearbook editor or department chair. Extra service will count as additional service credit and will be included in calculating your total service credit for that school year. However, when you near retirement, be sure to consider another factor — final compensation.

Consider Final Compensation If Working for Multiple Employers

As a part-time educator, when you have more than one employer, your earnable compensation is the sum of all your actual salaries divided by the sum of all your service credit earned for the school year. Your final compensation is the average annual earnable compensation during your final compensation period, which is generally your last three years of employment. When salary rates and service credit vary within a school year, your final compensation may be lower, which can lower your retirement benefit. This means it is possible to earn a larger retirement benefit if you reduce the number of employers you work for during your final compensation period.

The example in the box shows how the calculation can affect the retirement benefit of a part-time educator.

Working for Multiple Employers

Kali works part time at two high schools and a community college. He has 8.95 years of service. If he continues to work for all three employers during his last three years before retirement at age 63, here is how his final compensation would be calculated:

Employer	Earnings	Service Credit
A	\$ 3,360	.100
B	30,250	.500
C	6,563	.250
Total	\$40,173	.850

Kali's annual earnable compensation is: $\$40,173 \div .850 = \$47,262$
 Monthly final compensation is: $\$47,262 \div 12 = \$3,938$

To increase his retirement benefit, Kali could terminate the employment where he receives the lowest annual pay rate and his retirement benefit would be higher.

Employer	Earnings	Service Credit
A	\$ 3,360	.100
B	30,250	.500
Total	\$33,610	.600

Kali's annual earnable compensation is: $\$33,610 \div .600 = \$56,017$
 Monthly final compensation is: $\$56,017 \div 12 = \$4,668$

However, if Kali also terminates the position with the next lowest annual pay rate, his final compensation would be even higher.

Employer	Earnings	Service Credit
B	\$30,250	.500
Total	\$30,250	.500

Kali's annual earnable compensation is: $\$30,250 \div .500 = \$60,500$
 Monthly final compensation is: $\$60,500 \div 12 = \$5,042$

Here's the impact of the three alternatives on Kali's retirement benefit calculation:

Monthly final compensation is calculated by dividing annual earnable compensation by 12 months.

Works all three jobs:

Service Credit	Age Factor	Monthly Final Compensation
11.500 x	2.4% x	\$3,938 = \$1,087 per month

Terminates job with Employer C at the lowest annual pay rate:

Service Credit	Age Factor	Monthly Final Compensation
10.750 x	2.4% x	\$4,668 = \$1,204 per month or \$117 more per month

Terminates all jobs except one with Employer B at the highest annual pay rate:

Service Credit	Age Factor	Monthly Final Compensation
10.450 x	2.4% x	\$5,042 = \$1,265 per month or \$178 more per month

Kali decided that the increase of \$178 per month in his retirement benefit was significant enough to terminate employment at two of his part-time jobs. Over the lifetime of his retirement, the difference in income would likely be about \$53,000, not including the 2 percent annual benefit adjustment and any ad hoc increases or purchasing power increases.

However, Kali could not afford to work at only one part-time job during his final three years before retirement. To compensate for the loss in salary, he found part-time employment in addition to teaching in the public school system.

Each person's situation is different. We recommend you meet with a benefits counselor before making decisions that may affect your retirement benefit.

Social Security Program

Your district will offer Social Security to its part-time employees if it does not offer an alternative retirement program. Be aware that under federal law if you qualify for Social Security from any employment, including your spouse's, your Social Security benefit may be reduced if you receive a retirement or disability benefit from the Defined Benefit or Cash Balance Benefit programs or any alternative to Social Security offered by your employer. However, your Defined Benefit Program or Cash Balance Program benefit described in the following text will not be reduced if you receive Social Security benefits.

Because the provisions of Social Security are complex, call 800-772-1213 or go to www.ssa.gov to view publications for the Windfall Elimination Provision (reduction in employee's Social Security benefits) and Government Pension Offset (reduction in employee's Social Security benefits from spouse's employment).

CalSTRS has compiled information for CalSTRS members or Cash Balance Program participants. Visit www.CalSTRS.com, select *Members*, then *Social Security, CalSTRS and You*.

Cash Balance Benefit Program

CalSTRS offers a program designed specifically for part-time, substitute or temporary educators, which your district may provide as an alternative to Social Security. Your eligibility to participate in the Cash Balance Benefit Program is determined by your basis of employment, rather than the actual number of hours or days worked.

Your Cash Balance Benefit contributions are made in pre-taxed dollars via payroll deduction. There are no fees or charges for participation. In addition to a retirement benefit, you are also eligible for disability and death benefits.

For more information on the Cash Balance Benefit Program, call 800-228-5453.

The Cash Balance Benefit Program provides you:

- *Immediate vesting*
You are immediately eligible for a benefit equal to the sum of the balance of contributions, including compounded interest earned on your and your employer's accounts.
- *Variable contribution rates that can be bargained*
Your employer must contribute at least 4 percent of the salary you earn, and, generally, you also pay 4 percent. However, each employer may bargain alternative rates. You receive all contributions — both your own and your employer's — and interest, if you terminate public school employment.
- *Secure investments*
The CB Benefit Program investment portfolio is managed by CalSTRS investment professionals, who have a long and successful record of achievement.
- *Guaranteed interest rate*
The interest rate is set by the Teachers' Retirement Board for each plan year based on the 30-year Treasury rate. For 2006-2007, the rate is 4.75 percent. For 2007-2008, the rate is 5.25 percent
- *Additional earnings credit*
The Teachers' Retirement Board may, on an annual basis, grant an additional earnings credit to be added to your account.

- *Portability to meet the needs of a part-time educator*
In most cases, you can continue participation in the Cash Balance Benefit Program if you move to another employer that offers the program. If you become a member of the Defined Benefit Program and are no longer contributing to the CB Benefit Program, you may elect to receive credit in the DB Program for eligible CB service.
- *Options if you leave public school employment*
If you leave CalSTRS-covered employment, you have two options:
 - Leave your funds on deposit with CalSTRS.
 - Withdraw your funds or roll them over to another eligible retirement plan or IRA. If you decide to withdraw the funds, you'll have to wait six months after you terminate employment. If you withdraw the funds and then return to CalSTRS-covered work, you won't be able to withdraw funds again for five years.
- *Flexibility at retirement*
You can take your contributions, your employer's contributions, plus compounded interest in a lump sum, or you can choose an annuity to provide monthly retirement benefits if your balance is at least \$3,500.

Are You Eligible to Participate?

When you are hired by a K–12 district, county office of education or a community college district, your employer is required to notify you that you can elect membership in the CalSTRS Defined Benefit Program, even though you are a part-time employee. You have the option to participate in the Cash Balance Benefit Program, the Defined Benefit Program or another retirement plan your employer offers. If you choose the CB Benefit Program and your basis of employment changes to half time or more, you will automatically become a member of the Defined Benefit Program.

As long as your basis of employment remains part-time, substitute or temporary,

you can choose to participate either in the CalSTRS Cash Balance Benefit Program or the CalSTRS Defined Benefit Program — if you are employed in a district that offers the CB Benefit Program.

Participating School Districts Can Offer CB Benefit Program

School districts and community colleges can offer their part-time employees the CB Benefit Program. Offering the CB Benefit Program may be bargained, as some districts are doing currently. Contact your district(s) or county superintendent of schools or union representative to determine if the CB Benefit Program is available.

Working for Multiple Employers

If you are hired to perform eligible service per employer, you may participate simultaneously in more than one retirement program with different employers, unless you are hired to a full-time position with one employer.

Choosing Between Defined Benefit and an Alternative Retirement Program

As a part-time, substitute or temporary employee, you may have a choice of retirement programs. Employers must offer the Defined Benefit Program and an alternative program to all adjunct employees or part-time educators hired to work less than 50 percent of the full-time equivalent for a specific position. Districts can offer one or more of the following programs:

- CalSTRS Cash Balance Benefit Program
- Another program chosen by the district
- Social Security

Full-time employees are automatically enrolled in the CalSTRS Defined Benefit Program. As a part-time employee, you may choose the Defined Benefit Program anytime during your career.

You may want to choose the CalSTRS Defined Benefit Program if you:

- Plan to work as a California educator long enough to become vested (five years of service credit). This could take 10 years of half-time employment.
- Want a monthly benefit that provides a specific amount that is known in advance and payable for life, and not on the monies in your account.
- Are comfortable contributing 8 percent of your pay toward your retirement.

You may want to choose the Cash Balance Benefit Program if you work in a district where it is offered and you:

- Want a program that provides immediate vesting.
- Want a lump-sum or lifetime monthly benefit based on monies credited to your account with a guaranteed interest rate.
- Are comfortable with the contribution rate, which is typically 4 percent of your salary depending on your local bargaining agreement. This rate is matched by your employer.

Consolidating Your Cash Balance and Defined Benefit Coverages

You may have benefit coverage under both the Defined Benefit Program and the Cash Balance Benefit Program. If you meet eligibility requirements, you may elect to have CalSTRS consolidate your benefit coverage under the DB Program. To be eligible, you must currently be making contributions under the DB Program; you can no longer be contributing to your CB account; you must have eligible CB service to convert; and you must have funds in your CB account.

When you elect to consolidate your benefits, CalSTRS will transfer the contributions and interest from your Cash Balance account to the Defined Benefit Program and close your CB account. CalSTRS will determine the service credit that could be added to your DB account based on the work performed as a CB participant and will apply those funds toward the cost of converting your eligible

CB service under the DB Program. In most cases, CB Benefit Program contributions and interest will not cover the full cost of all eligible CB service that you performed because the contribution rate to buy permissive service credit is significantly higher than the CB Program contribution rate. You may contribute personal funds toward covering the remaining cost of your eligible CB service.

You may have more funds in your CB account than are required to cover the cost of your eligible service. This could occur if your account includes funds that were rolled over from another retirement plan or you had past overtime service that was covered by CB. If this occurs, you must specify how you would like CalSTRS to allocate the residual amount in your CB account after funds are transferred to cover the cost of consolidating benefits.

You may apply the residual amount to redeposit previously withdrawn contributions in the DB Program or use it to pay for additional service that you are eligible to purchase. The types of service that you may purchase are outlined in the *Purchase Additional Service Credit* brochure. Any funds remaining in your account that are not used for these purposes will be transferred to your Defined Benefit Supplement account and your CB account will be closed as part of the benefit consolidation process.

Consolidating benefits provides several advantages including:

- You may increase the amount of service credit that will be used to determine your retirement benefit, which may increase your monthly retirement benefit.
- Credit for your eligible CB Benefit Program service may also be used toward eligibility for benefit enhancements, such as one-year final compensation, career factor and longevity bonus.

For more information about the CalSTRS Cash Balance Benefit Program call 800-228-5453 or visit www.CalSTRS.com/Members, and select *Cash Balance Benefit Program Summary*.

4. Building Your Financial Future

Whether you are new to teaching or a seasoned veteran, CalSTRS can help you develop your financial future.

This section offers a series of steps to help you start your plan with your CalSTRS benefit as the foundation:

- Step One – Determine how much you will need in retirement
- Step Two – Attend a workshop to learn what you need to include in your plan
- Step Three – Use CalSTRS programs to build supplemental income and achieve home ownership
- Step Four – Meet with a benefits counselor to get an estimate of your retirement benefit

Step One – Determine How Much You Will Need in Retirement

At retirement, career teachers can expect to have 60 percent to 65 percent of their salary replaced by their Defined Benefit retirement benefit. Financial planners recommend that to maintain your current lifestyle after retirement, you should replace 80 percent to 85 percent of your salary. To meet this goal, it is important to have other sources of retirement income.

Traditional sources of retirement income for American workers consist of three components:

- A worker's pension from his or her employer
- Social Security
- Optional retirement savings plan

CalSTRS members typically have these three sources of retirement income:

- CalSTRS Defined Benefit monthly pension
- Defined Benefit Supplement account

- Optional 403(b) retirement savings plan such as the CalSTRS Voluntary Investment Program

CalSTRS members do not receive Social Security benefits from their CalSTRS-covered employment. However, if you will receive Social Security through other employment or expect to receive a Social Security benefit based on a spouse's earnings, see Section 5, *Approaching Retirement*, for information on how your retirement benefits may affect your Social Security benefits. You can also visit the Social Security Web site at www.ssa.gov or the CalSTRS Web site at www.CalSTRS.com/Members and select *Social Security, CalSTRS and You*.

Planning ahead to make the most of your retirement benefit will ensure you have the lifestyle you desire after you leave the classroom. CalSTRS offers services to guide you through the obstacles and help you prepare for this phase of your life.

Step Two – Attend a Workshop

All CalSTRS members are encouraged to attend workshops as an excellent means of establishing a foundation of knowledge about their CalSTRS benefits. They provide an environment to ask questions and formulate plans as you go through your career. The workshops are offered at no cost. You are encouraged to bring a spouse, family member or friend as your guest, but they must be registered to reserve a space for them.

CalSTRS offers four core workshops — each designed to meet your needs at different stages during your career. Please see the chart on the next page that describes each of the four workshops.

You can register for our workshops in two ways:

- Call toll-free 800-228-5453. If you are not sure which workshops are best for you, the person who registers you can assist you in determining the ones that will be the most beneficial.
- Go online to www.CalSTRS.com and select Counseling/Workshops.

Step Three – Use CalSTRS Programs to Build Supplemental Income and Achieve Home Ownership

CalSTRS Voluntary Investment Program

An important component to maintaining your current standard of living after retirement is to set aside funds while you are working to supplement your CalSTRS pension. The Voluntary Investment Program, also referred to as VIP, offers any public school employee the opportunity to invest these additional funds on a tax-deferred basis for a secure financial future.

As a 403(b) savings program, the Voluntary Investment Program allows you to automatically save a pre-tax portion of your salary and invest it in your choice of 20 different investment funds or manage it yourself through a self-managed account.

Enhanced fund offerings and lower program fees make CalSTRS' Voluntary Investment Program a more attractive way to save than ever. Plan administrators have added 10 new "lifecycle" or "target date" funds to the mutual fund lineup under the Vanguard Target Retirement Funds umbrella.

You may choose from:

- *10 Core Investment Funds* that offer a well diversified selection of funds, such as Vanguard, Fidelity and Dodge & Cox.
- *10 Lifecycle Funds*. These distinct funds consider investment styles based on your retirement date and automatically adjust for your risk tolerance as you approach retirement. These funds are offered in five-year increments, with target retirement dates as soon as 2010 and as far off as 2050.

VIP Features

- *Free, personal financial advice* – online at www.CalSTRS.com or from qualified professionals toll-free at 800-699-4032.

Early Career	Demystifying CalSTRS
1 to 5 Years	This 1½-hour workshop explains the CalSTRS benefits and programs available to you and shows you how your benefits are calculated. <i>Demystifying CalSTRS</i> lays the foundation to help you plan a more secure future. If you have never attended a CalSTRS workshop, this is the place to start.
Mid-Career	CalSTRS Fundamentals
5 to 20 Years	This 1½-hour workshop covers your benefits and financial planning. You'll learn: <ul style="list-style-type: none"> • How your retirement benefit is calculated and how to increase your benefit. • How to provide a lifetime monthly benefit for another person. • What your disability and survivor benefits provide. • How to complete a financial checkup. • How to set your retirement goals. • Why you need to save in a tax-deferred account. • How to judge your tolerance for investment risk. • How to choose a financial planner.
Near Retirement	CalSTRS Retirement Checkup
20 Years or Age 55	If you're getting close to retirement and have at least five years of service credit, <i>CalSTRS Retirement Checkup</i> is for you. This 1½-hour workshop goes into detail on how your retirement benefit is calculated, how to provide a lifetime benefit for another person, your disability and survivor benefits, working after retirement and resources for prospective retirees.
Right Before and After Retirement	Retirement Income Management
Age 45 and Older	This 3-hour workshop covers steps necessary to build retirement security. You will learn: <ul style="list-style-type: none"> • How to put a retirement plan in place. • Four potential sources of retirement risk. • How to identify your retirement expenses. • Five steps to managing your retirement income and making it last. • Tips for selecting a financial advisor

- *Enhanced online trading* – including the self-managed account, called the Mutual Fund Window, with its 7,000 mutual funds from more than 300 fund families.
- *Greater ease of borrowing from your account* – for those unexpected financial emergencies that come along.
- *Low administrative costs* – passed on to plan participants.
- *Knowledgeable and responsive service reps* – call 800-699-4032.
- *Great savings opportunities from CalSTRS* – your trusted retirement benefit provider.

Free Advice Available

The Voluntary Investment Program offers a free, enhanced advice service designed for VIP participants who want to learn more about personalized savings and investment. This popular VIP service is available online or by telephone. Provided by CalSTRS, advice is available from trained and licensed financial advisors through CitiStreet Advisor Service and powered by the online service, Financial Engines.

The advisor service helps you to:

- Build a personalized profile of your financial resources and retirement goals.
- Understand the likelihood of reaching your goals with your current savings and investment strategy.
- Design a personalized saving and investment plan to better meet your goals.

You will also receive free initial and ongoing consultations, expert and unbiased retirement planning advice, automatic investment rebalancing and quarterly summaries of progress toward your retirement goals.

Rollovers to VIP

In addition to payroll deductions, you can roll over an existing balance from other qualified retirement plans, such as 403(b) plans and governmental 457 plans. You may also roll over all or a portion of the amount in an IRA provided that the entire balance in the IRA is attributable to a prior rollover from a qualified pension, profit sharing, 401(k) or stock bonus plan.

CalSTRS members who are no longer employed in CalSTRS-covered employment can still roll over an existing balance from qualified plans into the Voluntary Investment Program, but they cannot contribute additional funds until they resume CalSTRS-covered employment. CalSTRS retired members are also eligible to participate in the program by transferring funds from their qualified savings plan to the VIP.

For More Information

Call the VIP information line at 800-699-4032 to request an enrollment kit or order it online at www.CalSTRS.com/VoluntaryInvestmentProgram. The Web site also provides a list of current investment funds.

If your employer does not offer the CalSTRS Voluntary Investment Program, please contact us at 800-228-5453.

Comparing 403(b) Plans

No matter which 403(b) optional savings plan you choose, you have a tool to help you make an informed decision. The 403bCompare Web site at www.403bCompare.com provides detailed, objective information about the 403(b) plans available to you.

The site, created and managed by CalSTRS, will help you compare the performance, features and fees of registered 403(b) plans. You will only be able to establish a new account with vendors registered on the site.

You can use the site to view the 403(b) vendors approved by your employer and then compare the products they offer. The site will show you available investment options, fees involved, and product performance, as well as each vendor's experience and services.

In addition, the 403bCompare.com Web site has links to general retirement planning information and educational materials. Visit www.403bCompare.com and see how it can help you make better-informed investment decisions.

The busiest months for benefits counselors are April, May and June, so it may be easier to get an appointment in the summer or earlier in the school year.

CalSTRS Home Loan Program

A key part of a secure financial future can be homeownership. The CalSTRS Home Loan Program is open to active, inactive and retired CalSTRS members and Cash Balance Benefit Program participants. They can apply for conventional, fixed-rate, first mortgage loans for the purchase or refinance of one- to four-family owner-occupied properties in California. The program not only provides loans to members but also serves as a prudent investment of CalSTRS retirement funds.

The CalSTRS Home Loan Program includes:

- Your choice of lenders statewide.
- 45-day rate lock period, with one float-down opportunity if interest rates fall.
- Controlled lender origination fees.

Several financing options are available including:

- Conventional Loan Program
- Zero Down Preferred (95%/5%) Program
- 80%/17% Down Payment Assistance Program.

Reverse mortgages are also available through the CalSTRS Home Loan Program.

For more information on the CalSTRS Home Loan Program, visit www.CalSTRS.com/HomeLoanProgram or call toll-free at 866-384-4457.

Step Four – Meet With a Benefits Counselor to Get an Estimate of Your Retirement Benefit

This last step in planning your financial future is to see a benefits counselor for personalized assistance. You can use this service more than once and we encourage you to meet with our counselors throughout your career.

A CalSTRS benefits counselor can help you create a CalSTRS retirement plan tailored to your needs. He or she can explain the decisions you will need to make before you retire, including electing an option if you choose to do so. Your counselor can provide you with important information if you are facing retirement or disability, or if you experience other life-changing events such as the birth of a child. This information will help you make educated decisions for a secure financial future.

How to Schedule an Appointment

You can make an appointment to meet with a counselor in person or over the phone. Attending any of the workshops first helps you get more out of your counseling session by helping you know which questions to ask. Below are the steps to set up each type of appointment.

To meet with a counselor in person:

- Contact the office that is most convenient for you, Monday through Friday, from 8 a.m. to 5 p.m. Interviews are usually scheduled about four weeks in advance and are during the work day.
- Be prepared to bring to your interview upon request:
 - Your last check stub, unused sick leave days and the number of days in your contract.
 - Your most recent CalSTRS *Retirement Progress Report*, and
 - Your Social Security annual statement, if applicable.

The counselor will research your account history prior to your appointment and provide you with customized estimates as well as other appropriate plan forms and publications during your session.

To schedule a phone counseling appointment:

- Call the CalSTRS toll-free number, 800-228-5453, Monday through Friday, from 8 a.m. to 5 p.m., Appointments are usually available about four weeks in advance and can be done during the work day, early evening and on Saturday.

Benefits Counseling Offices by County/City

Alameda /Hayward	510-670-4200
Dublin	925-426-0102
Contra Costa /Pleasant Hill.....	925-942-5375
Fresno /Madera	559-497-3797
Kern /Bakersfield	661-636-4880
Los Angeles / Downtown/Downey/Reseda	562-922-6414 or 562-922-6838
Monterey Park	323-780-3961
Monterey /Salinas.....	831-784-4195
Orange /Costa Mesa/Laguna Hills/Anaheim/ Garden Grove/Los Alamitos/Fullerton	714-966-4251
Orange County Teachers Federal Credit Union/Santa Ana	714-466-8450
Placer /Auburn	530-745-1466
Sacramento /Folsom/Cordova	916-861-0519
Elk Grove	916-229-4347
San Bernardino /Apple Valley/Riverside/ Ranch Cucamonga/Murrieta	909-433-4686
San Diego /Escondido.....	619-718-6783
San Francisco	415-355-7756 or 415-355-7757
San Joaquin /Stockton	209-468-4864
San Mateo /Foster City	650-312-7712
Santa Barbara /Santa Maria.....	805-928-0542
Santa Clara /San Jose	408-535-6171
Santa Cruz /Capitola.....	831-476-7140
Shasta /Redding.....	530-225-0203
Solano /Fairfield	707-399-4445
Sonoma /Santa Rosa	707-524-2627
Stanislaus /Modesto	209-525-4842
Tulare /Visalia.....	559-733-6760
Ventura /Camarillo.....	805-383-1993
Yuba /Marysville	530-749-4979

- Be prepared to provide the following information to the scheduling technician:
 - Personal information including Social Security number, birth date, address and phone 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 applicable).

The counselor will research your employment history and prepare your customized benefit estimates. You will receive a packet of information along with your estimates in advance of your appointment so that you have it in front of you on the day of your telephone interview.

Whether you have a face-to-face meeting or a telephone counseling appointment scheduled, you will receive a confirmation letter prior to your appointed day. Each appointment takes about an hour. The counselor will review various forms and publications with you during your interview as well as answer any questions you may have. You are encouraged to review your *Retirement Progress Report*, explore www.CalSTRS.com or look through the *Member Handbook* prior to your session. The more you learn about your benefits increases your understanding and allows the counselor more time to tailor your session to your needs.

How Much Will You Need to Retire?

At retirement, career teachers can expect to have 60 percent to 65 percent of their salary replaced by their Defined Benefit retirement benefit. Financial planners recommend that to maintain your current lifestyle after retirement, you should replace 80 percent to 85 percent of your salary. To meet this goal, it is important to have other sources of retirement income.

Traditional sources of retirement income for American workers consist of three components:

- A worker's pension from his or her employer
- Social Security
- Optional retirement savings plan.

CalSTRS members typically have these three sources of retirement income:

- CalSTRS Defined Benefit monthly pension
- Defined Benefit Supplement account
- Optional 403(b) retirement savings plan such as the CalSTRS Voluntary Investment Program.

Planning ahead to make the most of your retirement benefit will ensure you the lifestyle you desire after you leave the classroom. One important factor for increasing your retirement benefit is the purchase of additional service credit. See Section 6, Your Retirement Benefit.

CalSTRS members do not receive Social Security benefits from their CalSTRS-covered employment. However, if you will receive Social Security through other employment or expect to receive a Social Security benefit based on a spouse's earnings, see Section 5, Approaching Retirement, for information on how Social Security may affect your retirement benefits or go to www.CalSTRS.com/Members and select *Social Security, CalSTRS and You*.

5. Approaching Retirement

As you move through your working career toward the next chapter in your life, it's a good idea to learn about issues and programs to complement your core pension benefits. If you are within a few years of your projected retirement date, you may want to consider the following.

One-Time Death Benefit Recipient

When you die, a one-time death benefit may be payable to your named recipient. The one-time death benefit amount varies depending on whether you have Disability and Survivor Coverage A or B and if you die before or after retirement. For details see Section 9, Survivor Benefits.

This is a separate designation from your option beneficiary or beneficiaries who receive a lifetime monthly benefit when you die. You may name one or more recipients, and there is no restriction on whom you may name.

If a one-time death benefit recipient is not in effect on the date of death, the one-time death benefit will be paid to your estate. A one-time death benefit, plus any accumulated contributions remaining in your account, will be paid to your one-time death benefit recipient or recipients if you:

- Were receiving a service retirement benefit at the time of death.
- Were receiving or were eligible to receive a disability retirement benefit at the time of death.
- Had at least one year of service credit and died:
 - while an active CalSTRS member
 - within four months of terminating CalSTRS-covered employment
 - within four months after terminating a disability benefit, if no CalSTRS service was performed

- within 12 months after the last day of paid CalSTRS-covered service, if on an approved leave of absence without compensation for reasons other than disability or military service.

Your CalSTRS annual statement included in your *Retirement Progress Report* (formerly called *Annual Statement of Account*) identifies your one-time death benefit recipient. You can name one or more recipients, and there is no restriction on whom you may name.

To order a *One-Time Death Benefit Recipient* form, call CalSTRS at 800-228-5453 or download or order the form from www.CalSTRS.com.

Marriage or Domestic Partner Dissolution or Termination May Affect Designation

If the dissolution judgment or termination and the member's death occur after January 1, 2002, the one-time death benefit recipient designation of the former spouse or partner is invalid.

If you choose to have your former spouse or partner as your one-time death benefit recipient, you must submit a new *One-Time Death Benefit Recipient* form.

Protecting Your Loved Ones Before You Retire

If you are eligible to retire, you may make a "pre-retirement election of an option" to ensure a monthly lifetime income for another person or persons if you die before retirement. When you elect an option, your monthly benefit is reduced from the Member-Only Benefit. The percentage of the reduction is based on the option selected and ages of the member and the beneficiary when the option is elected. For a description of options and their impact on your monthly benefit, see Section 6, Your Retirement Benefit.

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

When you retire, reduction of your benefit will be made using the higher of the option factors in effect as of the date you elected the option or as of your retirement date.

The example below illustrates the difference in benefits if you choose an option before retirement or wait until retirement to choose an option.

Although the benefit will be reduced at retirement, the reduced benefit will be slightly higher than it would have been if the member had waited until retirement to choose an option, since the pre-retirement election of an option allows use of the younger member and beneficiary ages.

The advantages and disadvantages of choosing a pre-retirement election of an option must be assessed individually.

Effect of Pre-Retirement Option Election

Member Chooses Pre-Retirement 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 pre-retirement option was chosen

Member-Only Benefit		\$1,963.89
Option Factor	x	.899
Member's Reduced Benefit	=	\$1,765.54

Member Chooses 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	.867
Member's Reduced Benefit	=	\$1,702.69

Advantages of a Pre-Retirement Election of an Option

If you should die before retirement and you have chosen an option beneficiary or beneficiaries, they will receive a lifetime monthly benefit. The benefit begins immediately upon your death, regardless of the beneficiary's age.

In most cases, the reduced benefit will be higher if you make a pre-retirement election of an option before retirement than if you wait and elect at the time of retirement.

If you become disabled after making a pre-retirement election of an option and you have a Disability Allowance, Coverage A, you may retain the option election to provide a monthly benefit to your option beneficiary.

Note: *The career factor does not apply if the member dies before retirement without a pre-retirement election of an option on file at CalSTRS. For details, see Benefit Enhancements in Section 6, Your Retirement Benefit.*

Disadvantages of a Pre-Retirement Election of an Option

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

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

Providing Signatures

Your spouse or registered domestic partner must sign the *Pre-Retirement Election of an Option* form or the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form must be completed and returned with the pre-retirement election. If your spouse or partner does not sign or if CalSTRS does not receive the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form, the pre-retirement election is not acceptable and will not be effective until the requirements are met.

The election will be effective on the date signed only if CalSTRS receives the election form within 30 days from the date you sign it.

Canceling an Existing Pre-Retirement Election of an Option

You may cancel an existing pre-retirement election of an option at any time before retirement. A pre-retirement election of an option is canceled automatically if you elect a new option, elect a new option beneficiary or beneficiaries, or if your option beneficiary predeceases you.

If the pre-retirement election of an option is canceled, an assessment may apply and is calculated at retirement. The assessment will reduce your monthly retirement benefit for life.

The factors in effect on the cancellation date of the pre-retirement election of an option will be used to calculate the assessment. The assessment factor is based on:

- The option selected.
- Amount of time the pre-retirement election was in effect.
- The age of the member at the time of election and cancellation.
- Whether the member has Coverage A or Coverage B.
- Whether the option beneficiary is the member's spouse or registered domestic partner.

If you are considering canceling your pre-retirement election of an option, electing a different option or naming a different option beneficiary or beneficiaries, we recommend you meet with a CalSTRS benefits counselor to discuss the possible effects of that change on your retirement benefit.

A spouse or partner must sign the cancellation of a pre-retirement election of an option or a *Justification for Non-Signature of Spouse or Registered Domestic Partner* form must be completed and returned with the request for cancellation. If the spouse's or partner's signature is not provided or if CalSTRS does not receive the *Justification for Non-Signature of Spouse or Registered Domestic Partner* form, the cancellation is not acceptable and will not be effective until the requirements are met.

For more information regarding pre-retirement election of an option, call CalSTRS Teletalk at 800-228-5453 and select message 300 or visit www.CalSTRS.com.

Date of Birth Verification

Under some circumstances, CalSTRS will request verification of the birth date of a member or an option beneficiary. Acceptable documentation for birth date verification includes:

- Clear, unaltered photocopies of certified birth record recorded at least seven years prior to application for CalSTRS benefits.
- Copy of passport ID page.

If the 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. Please send clear, unaltered photocopies.

If you do not have any of these records, please contact CalSTRS for assistance.

About Social Security

How CalSTRS Benefits May Reduce Social Security Benefits

CalSTRS members do not pay into Social Security, therefore, if you expect to receive a Social Security benefit and a CalSTRS retirement benefit you need to know about two Social Security provisions that may reduce your Social Security benefit. They are the Windfall Elimination Provision and the Government Pension Offset. Your CalSTRS retirement benefit or Medicare benefit will not be reduced because of these provisions in Social Security law.

These provisions may affect members even if they have earned the minimum 40 Social Security credits through other employment or expect to receive a Social Security benefit based on a spouse's earnings.

You may receive an overstated benefit estimate from Social Security because non-Social Security pensions such as CalSTRS are not taken into account in the estimate. For a more accurate estimate of benefits, please contact the Social Security Administration or visit www.ssa.gov.

Windfall Elimination Provision

Under the Windfall Elimination Provision, Social Security uses a modified calculation for members who qualify for both a Social Security benefit based on their own covered employment (pays FICA taxes) and a CalSTRS retirement benefit.

Social Security benefits are based on the worker's 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, for a worker who turns 62 in the year 2007, the first \$680 of average monthly earnings is multiplied by 90 percent, the next \$3,420 is multiplied by 32 percent, and the remainder by 15 percent.

For those who reach 62 or become disabled in 1990 or later, the 90 percent factor is reduced to 40 percent. The exact amount of the reduction is based on the member's years of substantial earnings covered under Social Security and changes every year. In 2007, the maximum reduction in Social Security benefits under the Windfall Elimination Provision is \$340 per month.

CalSTRS members who meet the 40-credit requirement should apply for Social Security, even though the benefit may be reduced. Members are exempt from the Windfall Elimination Provision if they were eligible to retire from CalSTRS prior to January 1, 1986, or if they have 30 or more years of substantial earnings under employment covered by Social Security. In 2007, substantial earnings are \$18,150 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 of substantial earnings up to 90 percent for 30 or more years.

Social Security provides a guarantee to protect workers with relatively low pensions. The amount of the reduction under the Windfall Elimination Provision cannot be more

than one-half of the CalSTRS pension based on earnings after 1956 that were not covered by Social Security.

Government Pension Offset

The Government Pension Offset provision affects members expecting to receive a CalSTRS retirement benefit and a Social Security benefit as a spouse, former spouse, widow or widower. Under this provision, the Social Security benefit is reduced by two-thirds of the CalSTRS retirement benefit. If two-thirds of the CalSTRS benefit exceeds the amount of the member's spousal benefit from Social Security, the member will not receive a cash benefit from Social Security. If the spouse's, widow's or widower's government pension is higher than two-thirds of their CalSTRS benefit (in addition to their full CalSTRS benefit) amount, the beneficiary gets the difference. Even if the beneficiary is not eligible for a cash Social Security benefit, they may be eligible for Medicare as a spouse, widow or widower if they are not insured for Medicare on their own.

Members are exempt from the Government Pension Offset if they were eligible for CalSTRS benefits between December 1982 and June 1983 and were entitled to the Social Security spousal benefit before December 1977.

For More Information on Social Security

Due to the complexity of the formulas used in determining Social Security benefits and the many provisions and exceptions in Social Security law, we urge you to speak directly with a Social Security representative. Then you can determine if these provisions or exceptions apply to your individual situation.

Contact the Social Security Administration at 800-772-1213 or visit its Web site at www.ssa.gov to review or download publications on the Windfall Elimination Provision and the Government Pension Offset. To access the online Windfall Elimination Provision calculator, visit the Social Security Web site at www.ssa.gov, select *Calculate Your Benefits*, and then select *WEP Online Calculator*.

The CalSTRS Web site provides more information on Social Security history and how receiving a CalSTRS benefit affects receiving a Social Security benefit. Go to www.CalSTRS.com, then *Members*, then *Social Security, CalSTRS and You*.

Health Insurance

Health Insurance Premium Deductions

CalSTRS does not provide health or dental insurance coverage. State law requires that school districts, at a minimum, offer retiring CalSTRS members the option to continue their medical and dental insurance at their own cost. However, depending on bargaining agreements with your employer, your health insurance premiums may be partially or fully paid by your school district after retirement. Therefore, benefits vary from district to district.

CalSTRS may deduct health insurance premiums from your monthly retirement benefit and forward the premium to your insurance carrier, if your carrier has a third party agreement with CalSTRS. If you are interested in a health insurance premium deduction, contact your employer's Human Resources department. CalSTRS will set up a deduction for you after the necessary paperwork has been completed.

To request this optional deduction, use the *Insurance Premium Deduction Authorization* form in *Your Retirement Guide* or order online from www.CalSTRS.com.

What About Medicare?

While California educators do not pay into Social Security, many do pay the Medicare tax at a rate of 1.45 percent of gross earnings. Therefore, you may be eligible for premium-free Part A Medicare coverage on your own or through your spouse's employment.

Medicare Premium Payment Program

CalSTRS does not provide health insurance coverage; however, CalSTRS will pay the Medicare Part A premium for members who are:

- Not eligible for premium-free Medicare Part A.
- Enrolled in both Medicare Part A and B.
- Retired or disabled.*
- Age 65 or older.
- Receiving a monthly CalSTRS retirement benefit from which any applicable Medicare Part A surcharges and Medicare Part B premiums can be deducted.

A Medicare Premium Payment Program informational packet is mailed to retired members as they approach their 65th birthday.

As a convenience for you, CalSTRS can also deduct Medicare Part B premiums from your monthly retirement benefit. For more information, see *Your Retirement Guide* or visit www.CalSTRS.com/Members and select *Medicare Premium Payment Program*.

The Teachers' Retirement Board has authorized CalSTRS to offer the Medicare Premium Payment Program to members who retire before July 1, 2012 and has the authority to extend the program after that date. Information about an extension to the Medicare Premium Payment Program will be in future CalSTRS publications and at www.CalSTRS.com.

CalPERS Long-Term Care Program

Long-term care provides personal care that some may need as a result of an accident, a chronic illness or a disabling disease such as Alzheimer's.

You and certain family members are eligible for the CalPERS Long-Term Care Program. Those eligible to participate include CalSTRS active and retired members and Cash Balance Benefit Program participants, as well as their spouses, parents, parents-in-law and siblings age 18 or older.

*Eligibility criteria for the Medicare Premium Payment Program varies based on the member's retirement date.

Call CalPERS Long-Term Care directly at 800-338-2244 or 888-225-7377 for information and an enrollment kit. You can also obtain program information from the CalPERS Web site at www.calpers.ca.gov.

Reduced Workload Program

The CalSTRS Reduced Workload Program (sometimes referred to as the “Willie Brown Act”) allows eligible members to reduce their workload from full-time to part-time duties, defined as a minimum of 50 percent of full time, for up to 10 years — normally the last 10 years before retirement. The opportunity to participate is available only if your employer offers the program.

Both member and employer contributions are paid based on the full-time earnable compensation, rather than the actual part-time salary earned while participating in the program. Therefore, the employer will be required to pay a higher contribution rate for a member to participate.

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

You must be age 55 or older, have been employed full time for a minimum 10 years of credited service and have been employed full time performing creditable service five consecutive years immediately before entering the program.

The consequences can be significant for failing to work at least 50 percent as required

by the Reduced Workload Program; that is, if you do not earn creditable compensation for at least 50 percent of full-time service in any one school year. Service credit for the year will be calculated on actual time worked.

For example, a member who was employed 50 percent of full time had her pay docked because she became ill and ran out of sick leave. Consequently, she failed to perform creditable service for at least 50 percent of full time that year. Therefore, for that year she would not be eligible to participate in the Reduced Workload Program. She would earn service credit for only the time worked.

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

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

Retiring From Other Public Retirement Systems

Defined Benefit Program members who are at least age 55 and eligible to retire from certain other California public retirement systems in California may retire with fewer than five years of CalSTRS service credit if they retire concurrently from both systems. For details see Section 6, Your Retirement Benefit.

6. Your Retirement Benefit

As you consider the decision to retire, you will need to address several questions. To help you find answers, we highly recommend you attend the *CalSTRS Retirement Checkup* workshop. Then, before you file your application for retirement, make an appointment with a CalSTRS benefits counselor in your area or with a telephone counselor to discuss your plans and to receive an estimate of your retirement benefit. If you are considering filing for disability retirement, see Section 8, Disability Benefits.

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.

An additional requirement for retirement is:

- At least one year of credited service must have been performed after the most recent refund

OR

- Retirement must be concurrent with retirement under the California Public Employees' Retirement System, University of California Retirement System, San Francisco Employees' Retirement System, Legislators' Retirement System or a system covered by the County Employees' Retirement Law of 1937 (see the glossary for a list of counties).

Early Retirement Limited Term Reduction Program

If you are at least age 55, but under age 60, and have at least five years of credited service, you can apply for retirement under this special program. You will receive one-half 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 that which you would have received had you retired at age 60.

Note: Although annual benefit adjustments will accrue for the Early Retirement Limited Term Reduction Program, increases are not payable under this alternative until the normal service retirement benefit is paid. For more information about the annual benefit adjustment, see Section 7, After You Retire.

Retirement Incentive Program

School districts can offer the Retirement Incentive Program that would increase the monthly benefit for eligible members. Under this program, Defined Benefit members who are eligible to retire could receive two years of service credit, often called a "golden handshake."

The Retirement Incentive Program became effective January 1, 2004. Employers may decide to offer the program at any point in the future.

Eligibility

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

Restrictions

The additional service credit given in the incentive program will not count toward eligibility for service retirement or the credit necessary for other CalSTRS benefit enhancements such as one-year final compensation, career factor and longevity bonus. Also, you cannot pay the cost of the benefit in lieu of your employer. CalSTRS will not grant partial benefits; the participating employer must fund a full two years of service credit.

Post-Retirement Employment

You will lose the ongoing increase in your benefit provided by the incentive if you do any of the following:

- Become an active member again by returning to CalSTRS-covered employment (reinstatement).
- File for unemployment within a year of retirement.
- Return to CalSTRS-covered employment with the school district that granted you the benefit within five years.

For More Information

Call 800-228-5453 or go to www.CalSTRS.com/Calculators to help you figure the potential retirement incentive boost to your retirement benefit.

Retiring From More Than One Public Retirement System

Defined Benefit Program members who are at least age 55 and eligible to retire from certain other California public retirement systems in California may retire with fewer than five years of CalSTRS service credit if they retire concurrently from both systems. Additionally, CalSTRS may use the salaries for service performed under the other retirement system to calculate the 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 the CalSTRS salaries in the retirement benefit calculation.

The other public retirement systems in California are the:

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

Members should also check eligibility requirements with other public systems.

How to Calculate Your Defined Benefit Retirement

The formula for calculating a Member-Only Defined Benefit retirement includes three elements:

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

For a step-by-step guide for estimating your Defined Benefit pension, use the Benefit Estimate Worksheet in Section 6.

The calculation of your service retirement benefit is different if you reinstate to active member status after receiving a service retirement benefit, disability benefit or a disability retirement and later take a service retirement. Please contact CalSTRS for details on retirement after reinstatement to active membership.

Ways to Increase Your Benefit

You can increase your retirement benefit by increasing one or more of the elements in the benefit calculation formula. For instance, you can raise the amount of your service credit by working longer and by purchasing additional service credit. See Purchasing Additional Service Credit later in this section. In addition, by working longer and, therefore retiring when you are older, you increase your age factor, up to a maximum of 2.4 percent. For details, also see Benefit Enhancements later in this section.

Service Credit

Service credit is the accumulated period of time, in years and partial years, during which you receive creditable compensation for service as a member of the Defined Benefit Program. You must have earned compensation for working full time during the year to receive one full year of service credit. See your Defined Benefit annual statement of account included in your *Retirement Progress Report* for your service credit reported through the end of the last fiscal year. In addition to credit for actual service, you may receive service credit for creditable compensation received for certain employer-approved leaves of absence.

Service credit may also be purchased under certain circumstances. For more information, order the *Purchase Additional Service Credit* brochure at 800-228-5453 or www.CalSTRS.com.

A member's service credit is one of the factors used to determine eligibility for benefits payable under the Defined Benefit Program. For example, you must have a minimum of five years of service credit to be eligible for a service retirement benefit.

Service credit is used to calculate your service retirement benefit, as well as the surviving spouse or registered domestic partner benefit payable under both Coverage A and Coverage B. For details, see Section 9, Survivor Benefits.

You are notified of your accumulated service credit each year when you receive your annual statement of account included in your *Retirement Progress Report*.

How Service Credit is Calculated

For full-time educators, one year of service credit is earned for teaching one school year.

For part-time educators, service credit for one school year is the hours or days actually taught compared to the full-time equivalent, or what would be required if employed full time in that position. To see how service credit is calculated for part-time educators, see Section 3, Benefits for Part-Time Educators. You cannot receive more than one year of service credit for any one school year.

Additional Duties

If you perform additional duties during the year, you will receive service credit in addition to the service credit earned for your normal full-time or part-time position. Additional duties include summer school and intersession, and activities such as yearbook editor, science club editor, band director and for attending staff development days. The member and employer contributions for service that exceeds one full year will be transferred into your Defined Benefit Supplement account at the close of the fiscal year.

Multiple Positions

Some members are employed in multiple part-time or substitute positions for more than one CalSTRS employer during the school year and may earn more than one year of service credit in a school year. At the end of the school year, CalSTRS determines if you have service credit in excess of one year. If you do, CalSTRS retains one year of service in your Defined Benefit account — earned at the highest pay rates — and credits the member and employer contributions for service in excess of one year to your Defined Benefit Supplement account.

Compensation for Excess Service

The compensation for the service in excess of one year is not used in the calculation of your earnable compensation for the school year for final compensation purposes. If your employer adjusts the reported earnings after the school year ends, your Defined Benefit and Defined Benefit Supplement accounts may be adjusted in the following year.

Calculating Sick Leave Credit

Additional service credit for unused sick leave will be granted at retirement. The service credit granted for unused sick leave is determined by dividing the number of accumulated unused sick leave days, as certified by your last employer, by the number of base service days, excluding school and legal holidays, required to complete the last school year if employed full time.

The formula for determining unused sick leave is:

$$\begin{aligned} & \text{Accumulated days of unused sick leave} \\ + & \text{Number of base days for full-time service} \\ = & \text{Service credit amount granted} \end{aligned}$$

If employed on a part-time basis, the base service days are calculated in proportion to the full-time equivalent.

Sick leave service credit cannot be used to meet eligibility requirements for service retirement. However, up to two-tenths of one year of unused sick leave may be used to qualify for the career factor; the longevity bonus,

which is given for 30 or more years of service; and for the 25-year threshold for one-year final compensation.

Purchasing Additional Service Credit

You may be eligible to purchase service credit for past employment or an approved leave of absence for which CalSTRS retirement contributions were not made. For example, you may be able to purchase service credit for part-time or substitute service in the California public school system before you became a CalSTRS Defined Benefit Program member. It's a good idea to compare the cost of additional service credit with the increase it would provide in your lifetime retirement income. For more information or necessary forms, order the *Purchase Additional Service Credit* brochure at 800-228-5453 or www.CalSTRS.com.

Permissive Service Credit

You may choose to purchase service credit for retirement purposes for specific service performed in the past, if it has not been previously credited. Examples of permissive service include:

- Creditable service prior to becoming a Defined Benefit Program member.
- Employer-approved sabbatical leave.
- Certain active military leave prior to 1994.
- University of California or State University teaching service not credited or purchase-able under another retirement system.
- Employer-approved maternity/paternity leave.
- Out-of-state educational services performed in a public education position.
- Employer-approved leave covered under the California Family Rights Act of 1993.

You may purchase a portion, rather than all, of any permissive service you have available. However, you cannot purchase service credit if you have received, or are eligible to receive, credit for the service in another public retirement system. If you plan to purchase additional service credit just before retirement, you must complete payment for the service

credit before the effective date of your retirement. Any purchase of permissive service credit must be paid in full by December 31, 2010, if that service is to be used for Longevity Bonus eligibility.

Estimating the Cost of Permissive Service Credit

The cost for permissive service credit depends on your age and your highest annual earnable compensation during the last three years.

To estimate the cost to purchase permissive service credit, go to www.CalSTRS.com/Calculators or manually calculate your cost:

1. Multiply the number of years you want to purchase by the contribution rate for your age group.
2. Multiply the result by your highest earnable compensation during the last three years.

Age Group	Contribution Rate 7/1/06-6/30/07	Contribution Rate 7/1/07-6/30/08
20 - 29	18.1%	17.2%
30 - 39	18.3%	17.2%
40 - 49	20.8%	19.9%
50 - 59	25.3%	24.3%
60 - 69	28.5%	28.1%
70 and over	23.2%	23.2%

Nonqualified Service Credit

Active or inactive members with at least five years of CalSTRS service credit may purchase up to five years of nonqualified service credit, also known as “air time.” Nonqualified service is not connected to any specific prior employment. Nonqualified service credit cannot be used to qualify for the career factor, longevity bonus or the 25-year threshold for one-year final compensation. However, nonqualified service credit can be used to qualify for the 30-year service credit requirement for retirement between ages 50 and 55. The purchase of nonqualified service credit is calculated

differently from the purchase of other service credit. To estimate the cost of nonqualified service credit, visit www.CalSTRS.com/Calculators. The cost to purchase nonqualified service credit will increase the closer the member is to retirement and the higher the earnable compensation.

Age Factor

The age factor is the percent of final compensation to which you are entitled for each year of service credit. This percentage is determined by your age on the last day of the month in which your retirement is effective. The age factor is set at 2 percent at age 60. The age factor is decreased if you retire before age 60 and increased to a maximum of 2.4 percent if you retire later than age 60. See the Age Factor Table later in this section.

Final Compensation

If you retire with 25 or more years of service credit, CalSTRS uses your highest one-year earnable compensation as the final compensation component in your retirement calculation. Unused sick leave in excess of two-tenths of one year, nonqualified service credit and retirement incentive credit cannot be used to qualify for the necessary 25 years.

For members with fewer than 25 years of service credit, final compensation is based on the highest average earnable compensation during any period of 36 consecutive months* of paid employment covered by CalSTRS.

Use of one-year final compensation is available for eligible classroom teachers with fewer than 25 years of service credit provided it has been included in a written collective bargaining agreement and all costs are paid by the employer, the employee or a combination of the two.

The annual earnable compensation for a school year is based on the gross monthly pay rates that could have been earned for creditable service performed on a full-time basis. Your gross earnable monthly pay rate per pay

period is multiplied by the number of months in which you received compensation. If you plan to retire before the end of the school year, the annual earnable compensation for that year is prorated to your retirement date. To see how earnable compensation is calculated for part-time educators, see Section 3, Benefits for Part-Time Educators.

CalSTRS will automatically determine your final compensation by searching the past 15 years of records.

If you work part time at more than one pay rate, final compensation is equal to the sum of your earnings divided by the sum of your service credit earned during the final compensation period. In some cases, it may be more advantageous for you to designate an earlier period of time as the final compensation period, since CalSTRS checks your salaries over the last 15 years. A benefits counselor can help you find the strategy that is best for you.

If you retire on or after July 1, 2002, and have earned creditable compensation at multiple pay rates during a school year, you may benefit from the .900 rule. With the .900 rule, if service credit at the highest pay rate is at least .900 in a school year, then final compensation will be determined as if all service credit for that school year had been earned at the highest pay rate.

Mid-Year Retirement

If you want to retire in the middle of the school year, your final compensation may be lower than expected. This is because, for a mid-year retirement, unless you have higher salaries earlier in your career, CalSTRS is required to include the average of your salary from the last school year as part of the 12 months used to calculate your final compensation.

There may be a negative impact to a mid-year retirement if you are working under a Reduced Workload program. See Section 5, Approaching Retirement.

*Nonconsecutive final compensation is available for those members who received a salary reduction due to a reduction in school funds. Upon certification from the employer, CalSTRS will use any three nonconsecutive school years to determine final compensation.

For example, if you earned \$57,000 last school year and would earn \$60,000 this school year, here is how to determine your final compensation for a January retirement date:

$$\begin{aligned}
 \$57,000 \div 12 &= \$4,750 \times 6 \text{ months} = \$28,500 \\
 \$60,000 \div 12 &= \$5,000 \times 6 \text{ months} = \underline{\$30,000} \\
 & \qquad \qquad \qquad \$58,500 \\
 \$58,500 \div 12 &= \$4,875
 \end{aligned}$$

Your final compensation for your last 12 months would be \$4,875 per month.

The calculation has more of an impact if you have at least 25 years of service, since your final compensation is based on fewer months.

Additional assignments at a lower pay rate may also lower your final compensation if you retire mid-year. This is because your annual earnable compensation is prorated to your retirement date and is an average of the various pay rates you receive during that period.

Benefit Enhancements

You may qualify for one or more of these career enhancements, which will increase your monthly benefit. Please note that you may use up to two-tenths of one year of unused sick leave credit to qualify for benefit enhancements but not to qualify for retirement. In order to qualify for service retirement, you must meet the minimum age and service credit requirements without the

inclusion of unused sick leave credit, nonqualified service credit or Retirement Incentive Program credit.

Career Factor

A 0.2 percentage point career factor will be added to your age factor if you retire with at least 30 years of earned service credit up to a maximum age factor of 2.4 percent.

One-Year Final Compensation

If you have at least 25 years of service credit, the calculation for your final compensation will be based on your highest average salary for one school year instead of three.

Longevity Bonus

A longevity bonus will be permanently added to your monthly Member-Only retirement benefit if you accumulate at least 30 years of credited service by January 1, 2011. Any purchases of permissive service credit or redeposits must be paid in full by December 31, 2010, if that service credit is to be used for longevity bonus eligibility.

The longevity bonus amount depends on the years of service credit at retirement:

If you earned:	You will receive monthly:
30 years	\$200
31 years	\$300
32 or more years	\$400

The longevity bonus will be:

- Subject to the annual CalSTRS 2 percent simple benefit adjustment but not to the quarterly supplemental purchasing power protection benefit.
- Reduced as is the retirement benefit if you select an option.
- Reduced if you cancel a pre-retirement election of an option.

Partial Lump Sum

You may receive part of your retirement benefit as a lump-sum payment. In exchange, your retirement benefit is permanently reduced.

Your lump-sum payment can be up to the lesser of:

- 15 percent of the lifetime value of your retirement benefit, or

Benefit Enhancements			
	How you qualify	Effect on Benefit	
One-year final compensation	25+ years of service credit	Use your ONE highest year of salary as final compensation	
Career Factor	30+ years of service credit	Increase age factor by .2% to maximum of 2.4%	
Longevity Bonus*	30+ years of service credit by December 31, 2010	# of years	Increase (Member-Only)
		30	\$200
		31	\$300
		32	\$400

- The lifetime value of your benefit in excess of an amount equal to 2 percent of your final compensation multiplied by your years of service credit and divided by 12.

The amount will differ from person to person, depending on age, earnings and years of service credit at retirement.

You can have your partial lump sum paid to you or rolled over to another retirement plan. You are not permitted to do both. A rollover must be done through a trustee-to-trustee transfer to a qualified plan such as a 403(b). If you choose a rollover, the minimum partial lump sum must be at least twice the amount of your new monthly retirement benefit after the permanent reduction from the PLS is calculated. Members may not use a partial lump sum to purchase previously refunded service credit.

Tax Implications

If you transfer your partial lump sum to a qualified plan through a direct trustee-to-trustee transfer, you will not owe any taxes until you start taking payments, called distributions, from that plan. Partial lump-sum distributions paid to you, however, are subject to federal and state income tax withholding immediately.

If you choose a distribution payable to you, CalSTRS must withhold 20 percent of the distribution for federal income tax and 6 percent for state income tax. You can request to have no state income taxes withheld on your retirement application.

You must choose a partial lump sum before your retirement effective date, and you can only cancel or change the amount of your PLS before that date. Once you retire, your decision to elect or not elect a partial lump sum or the amount of the lump sum is irrevocable.

If you choose to receive a lump-sum payment, your service retirement benefit will no longer qualify as a joint and survivor annuity under IRC Section 415 and may exceed the IRC 415 dollar benefit limit. CalSTRS will notify you if your benefit will be affected by the IRC Section 415 limit. If that

happens, you will receive a separate payment from CalSTRS' Replacement Benefits Program.

For more information, call 800-228-5453 or go to www.CalSTRS.com/Calculators to estimate the partial lump-sum amount you could receive.

Member-Only Benefit

The Member-Only Benefit is usually the highest monthly benefit available when you retire; however, it does not provide for a monthly income to your survivor.

The Member-Only Benefit provides you with a monthly benefit for your lifetime; benefits stop upon your death. Any contributions and interest credited to your account at the time of your death, minus the total amount already paid to you, will be returned to your designated death benefit recipient or recipients.

To provide a monthly CalSTRS benefit to a beneficiary or beneficiaries after your death, you must elect an option. For details, see Option Choices later in this section.

Protecting Your Survivor with an Ongoing Benefit

To provide a lifetime monthly benefit to another person when you die, you can select an option. An option is a plan feature that allows you to distribute your retirement benefit over your life and the life of your option beneficiary. Once you retire, your option election is irrevocable, except under certain limited circumstances. See Section 9, Survivor Benefits.

You can elect an option if you are eligible to retire, but not yet ready to retire. Making a pre-retirement election of an option provides a lifetime monthly benefit to one or more individuals if you die before retirement. For information on the pre-retirement election of an option, see Section 5, Protecting Your Loved Ones Before You Retire.

Note: You cannot designate a trust or an organization as your option beneficiary.

Option Choices

You can decide to provide a monthly benefit for one option beneficiary by electing from the 100% Beneficiary Option (formerly Option 6), the 75% Beneficiary Option (a new option) or the 50% Beneficiary Option (formerly Option 7). You may also elect the Compound Option (formerly Option 8) in order to provide for one or more option beneficiary(ies).

To find out how each option would affect your retirement benefit, make an appointment with a benefits counselor or use the *Retirement Benefit Calculator* at www.CalSTRS.com/calculators.

Option Choices Changed in 2007

Several changes designed to simplify your choices in your option selections took effect January 1, 2007. Options 2-5 are no longer available and a new 75% Beneficiary Option is now offered.

Please note the following:

- Options 2 through 5 are no longer available for election. If you made a pre-retirement election of one of these options, you may change it during the January-June 2007 window period or keep it.
- If you are divorced, you may elect a discontinued option if it is specified in your dissolution court order filed prior to January 1, 2007.

100% Beneficiary Option (formerly Option 6)

Provides your option beneficiary with 100 percent of the amount you were receiving upon your death. If your option beneficiary dies before you, your benefit will rise to the Member-Only Benefit.

75% Beneficiary Option (new option)

Provides your option beneficiary with 75 percent of the amount you were receiving upon your death. If your option beneficiary dies before you, your benefit will rise to the Member-Only Benefit.

50% Beneficiary Option (formerly Option 7)

Provides your option beneficiary with 50 percent of the amount you were receiving upon your death. If your option

beneficiary dies before you, your benefit will rise to the Member-Only Benefit.

Compound Option (formerly Option 8)

Allows various choices. You may a) name one option beneficiary if you retain a portion of your benefit as a Member-Only Benefit (formerly known as Unmodified), b) name two or more option beneficiaries, with an option choice for each and retain a portion of your benefit as a Member-Only Benefit, or c) name two or more option beneficiaries, with an option choice for each and not retain any of your benefit as a Member-Only Benefit.

How Choosing an Option Changes Your Benefit

An option provides you with a reduced retirement benefit based on a percentage of your Member-Only Benefit. That percentage, called an option factor, is based on your age and the age of your option beneficiary on the effective date of retirement or time of election of a pre-retirement option plus the option you elect.

For a sample range of option percentages, see the Option Factor Tables later in this section.

If you choose an option at the time you retire, the option factor is determined by your age and the age of your option beneficiary or beneficiaries as of your effective date of retirement.

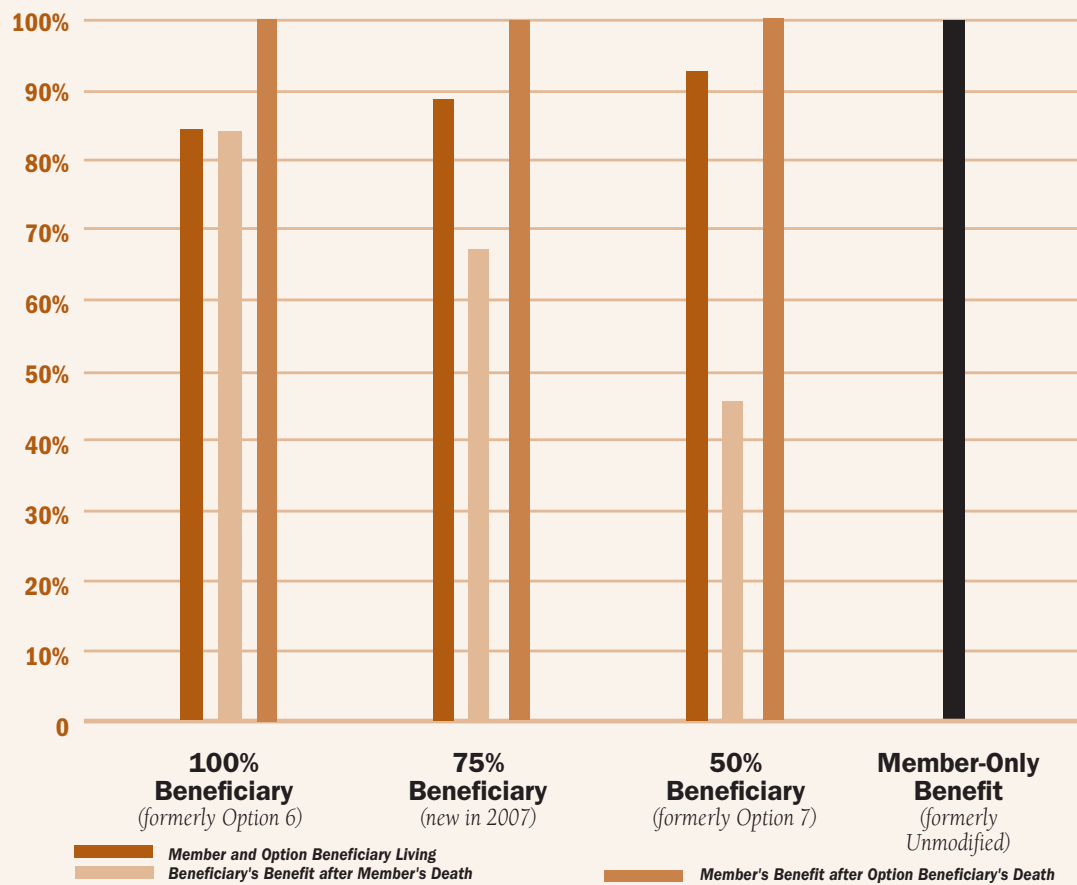
If you elect an option before retirement, the option factor when you retire will be the higher of the option factor in effect when the option was chosen before retirement or on the date of retirement. For more details on pre-retirement election of an option, see Section 5, Protecting Your Loved Ones Before You Retire.

The option you elect determines the benefit your option beneficiary or beneficiaries receive following your death or the benefit you receive following your option beneficiary's death.

For sample percentages of reduced benefits for each option, see Options Comparison Example on the facing page. Also see Option Worksheets later in this section.

Options Comparison Example

The percentages shown here are for a member, age 60, who designates an option beneficiary, age 57



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Adding, Changing or Canceling Your Option Selection

Once you retire, your option election can be changed only under the following four circumstances:

Death of Beneficiary: If your original option beneficiary dies after the effective date of your retirement and you had elected an option, you may elect a new option. To elect a new option beneficiary, complete the required form and submit a copy of the certified death certificate to CalSTRS. A further reduction to your benefit will be made.

Divorce: You may cancel your option election if the option beneficiary is your spouse or partner, or former spouse or partner, on or after January 1, 1978:

- A final decree of dissolution of marriage or registered domestic partnership has been entered, or filed and endorsed termination

of registered domestic partnership.

- A judgment of nullity has been entered, or
- An order of separate maintenance has been made.

After you notify CalSTRS, you may elect to receive the Member-Only retirement benefit from the date of receipt of notification or to elect a new option. You may also designate a new option beneficiary. Your choice must be consistent with your court order and must not result in any additional liability to CalSTRS.

Note: If you cancel your option election as a result of a divorce or termination of domestic partnership and you elect to receive your Member-Only Benefit, the amount that your Member-Only Benefit was previously reduced will not be reimbursed to you.

Spouse or Partner: If you had previously designated a person other than your spouse or former spouse or partner as your option bene-

ficiary, you may cancel your option election and elect an option designating your spouse or partner as your option beneficiary. Your benefit will be subject to an actuarial reduction based on your age and the ages of your prior beneficiary and your spouse or partner.

Newly Married or Registered in Domestic Partnership: If you were unmarried or unregistered at retirement and receiving a Member-Only Benefit, you can choose an option and name your new spouse or partner as an option beneficiary if you later marry or register. You must be married or registered at least one year before selecting the option and naming the option beneficiary. The Member-Only Benefit you were receiving will be actuarially reduced to reflect your potential life span and the life span of your option beneficiary.

The option selection and beneficiary addition will be effective six months after CalSTRS receives the designation.

Non-Spouse Option Beneficiary

If you name someone other than your spouse or a former spouse to be your option beneficiary, CalSTRS is required by federal law to impose the following age restrictions:

- Under the 75% Beneficiary Option, your non-spouse option beneficiary cannot be more than exactly 19 years younger than yourself.
- Under the Compound Option, your non-spouse option beneficiary(ies) cannot be either more than exactly 19 years younger than yourself under the 75% Beneficiary Option or more than exactly 10 years younger than yourself under the 100% Beneficiary Option.

Benefit Adjustment

When you choose a new option and/or a new option beneficiary(ies), an adjustment to your benefit will be made. Before changing your option or choosing a new option beneficiary, you are encouraged to meet with a CalSTRS benefits counselor to obtain an estimate of your benefit based on the new choice.

See detailed option worksheets later in this section.

Defined Benefit Supplement Program

In addition to the Defined Benefit Program, your Defined Benefit Supplement account has been accumulating contributions and interest since January 1, 2001. Your most recent *Retirement Progress Report* (formerly *Annual Statement of Account*) shows the total reported by your employer in your Defined Benefit Supplement account at the end of the last school year. See Section 2, Your Membership and Benefits, for more information on the Defined Benefit Supplement Program.

If you have less than \$3,500 in your DBS account at the time you retire, you will receive the account balance as a lump-sum payment. Your lump-sum payment may be mailed directly to you or rolled over to a qualified retirement plan. If the amount is at least \$3,500 you have more choices about how you would like to receive the funds. These choices depend on whether you decide to take a Member-Only Defined Benefit retirement benefit or elect an annuity option. See estimates of the various options later in this section.

Annuity Choices Changed in 2007

Several changes designed to simplify your choices in annuity choices took effect January 1, 2007. The Single Life Annuity Without Cash will no longer be available and a new 75% Beneficiary Annuity is now offered.

Choices for a Member-Only Benefit

If you elect a Member-Only Benefit and have at least \$3,500 in your Defined Benefit Supplement account, you have the following DBS payment choices:

Lump-Sum Payment: A one-time payment of the total amount in your DBS account, either as a direct payment or as a rollover to a qualified plan.

Member-Only Annuity: A lifetime monthly payment. Any balance remaining upon your death will be paid to your one-time death benefit recipient or recipients.

Period-Certain Annuity: A monthly payment made for any number of years from three to 10. The amount you receive is based on the number of years over which the annuity is paid, the lower the number of years, the higher the amount payable. If you die before the annuity period ends, the remaining payments are paid to your one-time death benefit recipient(s).

Combination of Lump-Sum Payment and Annuity: If your DBS account balance, less the lump-sum amount you select, is at least \$3,500, you can choose a lump-sum payment and one of the above annuities.

Choices if You Elect an Option

If you elect an option for your Defined Benefit pension and have at least \$3,500 in your Defined Benefit Supplement account, you have the following DBS payment choices:

Lump-Sum Payment: A one-time payment of the total amount in your DBS account.

100% Beneficiary Annuity (formerly 100% Joint and Survivor Annuity): Provides a lifetime monthly payment for your lifetime and the lifetime of your annuity beneficiary(ies). One hundred percent of your monthly annuity would be paid to your annuity beneficiary(ies) upon your death. If your beneficiary dies before you, your benefit will rise to the Member-Only Annuity amount.

75% Beneficiary Annuity (new annuity): Provides a lifetime monthly payment for your lifetime and the lifetime of your annuity beneficiary(ies). Seventy-five percent of your monthly annuity would be paid to your annuity beneficiary(ies) upon your death. If your beneficiary dies before you, your benefit will rise to the Member-Only Annuity amount.

50% Beneficiary Annuity (formerly 50% Joint and Survivor Annuity): Provides a lifetime monthly payment for your lifetime and the lifetime of your annuity beneficiary(ies). Fifty percent of your monthly annuity would be paid to your annuity beneficiary(ies) upon your death. If your beneficiary dies before you, your benefit will rise to the Member-Only Annuity amount.

Period-Certain Annuity: A monthly payment made for any number of years from three to 10. The amount you receive is based on the number of years over which the annuity is paid; the lower the number of years, the higher the amount payable. If you die before the annuity period ends, the remaining payments are paid to your one-time death benefit recipient or recipients.

Combination of Lump-Sum Payment and Annuity: If your DBS account balance, less the lump sum amount you select, is at least \$3,500, you can choose a lump-sum payment and one of the above annuities. Your Defined Benefit Supplement annuity beneficiary(ies) is the same person or persons you have designated as your Defined Benefit option beneficiary(ies). If you elect the Compound Option for your Defined Benefit pension, you may elect to receive the DBS benefit as any of the annuities listed here. However, the annuity elected will be the same for each of the annuity beneficiaries, and the apportionment of the benefit will remain the same as it is for your Defined Benefit election.

Non-Spouse DBS Annuity Beneficiary

If you name someone other than your spouse or a former spouse to be your DBS annuity beneficiary, CalSTRS is required by federal law to impose the following age restrictions:

- Under the 75% Beneficiary Annuity, your non-spouse annuity beneficiary cannot be more than exactly 19 years younger than yourself.
- If you elect the Compound Option, your non-spouse annuity beneficiary(ies) cannot be either more than exactly 19 years younger than yourself under the 75% Beneficiary Annuity or more than exactly 10 years younger than yourself under the 100% Beneficiary Annuity.

Note: Federal age restrictions also apply to registered domestic partners.

Guidelines for the Retirement Application Process

Use the brochure, *Your Retirement Guide*, to help you in each step in your retirement application process. With full explanations and tear-out forms, this brochure will walk you through all necessary tasks from collecting information to completing the application and other optional forms. It is a good idea to order *Your Retirement Guide* early and refer to it for all aspects of your retirement process.

Application Timeline

The following shows a general timeline of events that may occur from up to a year before your retirement until you receive your first retirement benefit payment. Your specific timeline may differ from what you see here, but this will give you a good idea of what to do and when.

If you have not done so, consider taking our *CalSTRS Retirement Checkup* workshop and setting up an appointment for a one-on-one consultation with a benefits counselor, either in person or by phone. The busiest months for benefits counselors are April, May and June, so it may be easier to get an appointment earlier in the school year or during the summer. To

sign up, call toll free 800-228-5453 or go to www.CalSTRS.com and click *Contact Us* to send an e-mail.

Retirement Application Process

Obtain an Application for Retirement

About six months before your expected retirement date, call or write to CalSTRS or contact your employer or your county superintendent of schools to obtain the *Your Retirement Guide* brochure, which contains the forms and information you need to apply for a retirement benefit.

Complete the Application

Complete the forms, but do not mail them earlier than six months before your retirement date. CalSTRS must receive the application no later than the last day of the month in which your retirement is to become effective. Whether you choose a Member-Only Benefit or an option, this will be your final election unless you notify CalSTRS in writing before the effective date of retirement. Separating, resigning or “retiring” from your employer does not take the place of submitting your retirement application to CalSTRS. Remember to complete resignation forms for your employer.

Application Timeline	
What to do	When
<p><i>Step 1</i></p> <p>You plan and research your retirement decisions.</p>	10 to 12 months before your retirement date
<p><i>Step 2</i></p> <p>You complete, sign and submit your forms.</p>	<p>Signed forms must be received by CalSTRS:</p> <ul style="list-style-type: none"> - No earlier than six months prior to your retirement date. - No later than the last business day of the month in which you retire <p>Also make copies of your completed forms for your records.</p>
<p><i>Step 3</i></p> <p>CalSTRS sends your initial benefit payment.</p>	<p>30 to 45 days after your retirement or the date your application is received (whichever is later). Note: <i>There could be changes in your monthly payment for several months beyond your retirement date as CalSTRS receives and processes additional information from your employer.</i></p>

Complete and Return the One-Time Death Benefit Recipient Form

Always keep your CalSTRS one-time death benefit recipient information up to date, including your recipient(s) addresses, even after retirement. This designation applies to the one-time death benefit payable upon your death. This is not related to the selection of an option beneficiary.

Complete Health Insurance Premium Deduction Authorization

You should also contact your district for procedures to continue your health insurance, since practices vary among districts.

Verify Dates of Birth and Marriage and Registration as Domestic Partner

If you elect an option, you must submit documentation verifying the date of birth of your option beneficiary or beneficiaries unless your option beneficiary is a CalSTRS member. Under some circumstances, CalSTRS will request verification of your birth date.

Acceptable documentation for birth date verification includes:

- Clear, unaltered photocopy of certified birth record — recorded at least seven years before application for CalSTRS benefits.
- Clear, unaltered photocopy of passport ID page.

If the name has been changed from the name shown on the record of birth, CalSTRS requires a copy of the certified marriage certificate or court order documenting the change. Please send clear, unaltered photocopies.

If you have the necessary birth and marriage certificates required for election of an option, enclose copies with your application. However, do not postpone filing an application while you obtain the required documents.

If You Cannot Locate Acceptable Documentation

If the required document cannot be secured, forward the notice you receive from the official record keeper showing that no record is available. CalSTRS will help you secure other acceptable documentation.

Mail Application

Mail all completed service retirement application forms to CalSTRS. We recommend that you send the forms by certified mail and retain a copy for your records. CalSTRS must receive the application no later than the last day of the month in which your retirement is to become effective.

Important: Do not submit your application to your employer. Your employer is not responsible for the timely submission of your retirement application to CalSTRS. However, do notify your employer of your intention to retire. CalSTRS does not notify your employer.

What to Expect from CalSTRS

Acknowledgment Letter

If you send your application by certified mail, the post office will send you a certified receipt acknowledging delivery. Within two to three weeks, CalSTRS will mail you a letter acknowledging receipt of your application.

Estimated Retirement Benefit Letter

CalSTRS will send a letter detailing your monthly estimated benefit before issuing your first benefit payment.

Sending Your Retirement Benefit

CalSTRS will issue your first monthly benefit within 30 to 45 days after the effective date of retirement or the date your application is received — whichever is later. You will receive your Defined Benefit Supplement as a separate payment, whether or not you request it as a lump sum or as a monthly annuity.

Adjustment Letters

Your employer may send CalSTRS information after your retirement date, possibly relating to unused sick leave, retirement incentive or salary that can affect service credit or final compensation and cause fluctuations in your monthly benefit. When these changes occur, CalSTRS will send you a letter detailing any changes. It takes approximately six months after your effective retirement date for CalSTRS to receive and process all updates from your employer. If a retroactive amount is due, it will be paid shortly after an adjustment letter is mailed.

The adjustment letter, or letters, will also show the total amount of your contributions as a Defined Benefit member. You should save the last letter to assist in determining your income tax liability.

Signing Up for Direct Deposit

For the quickest possible access to your monthly retirement payment, you can sign up for CalSTRS direct deposit service. Direct deposit is the fastest, safest and most convenient method of receiving your monthly payment.

- It's the fastest because your money is deposited immediately and automatically into your account. If your check is sent to your home, you will experience some delay from the time the check is mailed to the time you can access your money.
- It's the safest because your money goes from one source directly to the other via computer. You don't have to worry about a check being stolen, lost or delayed in the mail.
- It's the most convenient because your money is automatically deposited with

your financial institution. This is particularly important if you do not have easy access to your financial institution.

With direct deposit, your money will be credited electronically to your bank account on the day your check is issued.

Notice of the deposit will be sent to your mailing address on the first of each month. You may also view your deposit notice, called a benefit payment stub, online by registering at *myCalSTRS* on the CalSTRS Web site. If you prefer to not receive a mailed benefit payment stub, you can indicate that at *myCalSTRS*, under *Preferences*. You will need to request Level 2 access when you log into your *myCalSTRS* account prior to changing preferences.

Funds may be deposited into a checking or savings account in any U.S. financial institution you choose.

To enroll in direct deposit, use the form included in the *Your Retirement Guide* brochure. You can also order the *Direct Deposit Authorization* form at 800-228-5453 or from www.CalSTRS.com.

Worksheets

Benefit Estimate Worksheet

CalSTRS suggests you learn more about your benefits by attending a workshop to prepare for your retirement. If you still have questions, call and make an appointment to talk to a benefits counselor.

Example

Mary is retiring at age 60 with 24.250 years of service.

Step 1: Determine Service Credit and Age Factor

Service Credit (years of service)	=	24.250
Age Factor based on Mary's age at retirement (see Age Factor Table, page 48)	=	2%

Step 2: Determine Final Compensation

Mary's highest three consecutive school years of earnable compensation

2001-2002	\$48,000
2000-2001	\$47,000
1999-2000	\$45,000
Total Earnable compensation	\$140,000
	÷ 36 months
Monthly Final Compensation	\$3,888.89

Step 3: Calculate Benefit

Service Credit	24.250
x Age Factor	x .02
x Final Compensation	x \$3,888.89
Mary's Member-Only monthly benefit =	\$1,886.11

Your Estimate

You plan to retire at age _____.

Step 1: Determine Service Credit and Age Factor

Service Credit (years of service)	=	_____
Age Factor (see Age Factor Table, page 48) (if applicable, include career factor)	=	_____

Step 2: Determine Final Compensation

Enter your highest three consecutive school years of earnable compensation (if applicable, use one-year final compensation)

	\$	_____
	\$	_____
	\$	_____
Total Earnable compensation	\$	_____
		÷ 36 months
		(if eligible, use one-year final compensation ÷ 12 months)
Monthly Final Compensation	\$	_____

Step 3: Calculate Benefit

Service Credit	_____
x Age Factor	x _____
x Final Compensation	x _____
+ Longevity Bonus (if applicable)	+ _____
Your Member-Only monthly benefit =	\$ _____

Age Factor Table

The age factor is a percentage determined by your age in years and months on the last day of the month in which your retirement is effective. The age factor is increased by a career factor of 0.2 percent if you have 30 or more years of service credit on the day you retire.

The age factor equals 2 percent at age 60.

From age 55 to 60, the factor is reduced by 0.01 (one one-hundredth) of a percent for each month or fraction of a month in which

you are under age 60. For example, if you are age 55 and six months when you retire, your age factor is 1.46 percent.

Between age 60 and 63, the 2 percent age factor is increased by 0.033 for each quarter year of age that the member is over age 60, up to a maximum age factor of 2.4 percent. If you qualify for the 0.2 percent career factor by having at least 30 years of service credit, you reach the maximum age factor of 2.4 percent at age 61 and six months.

Age Factor Table (expressed as percentages)

	Months											
	0	1	2	3	4	5	6	7	8	9	10	11
63	2.400	2.400	2.400	2.400	2.400	2.400	2.400	2.400	2.400	2.400	2.400	2.400
62	2.267	2.267	2.267	2.300	2.300	2.300	2.333	2.333	2.333	2.367	2.367	2.367
61	2.133	2.133	2.133	2.167	2.167	2.167	2.200	2.200	2.200	2.233	2.233	2.233
60	2.00	2.00	2.00	2.033	2.033	2.033	2.067	2.067	2.067	2.100	2.100	2.100
59	1.88	1.89	1.90	1.91	1.92	1.93	1.94	1.95	1.96	1.97	1.98	1.99
58	1.76	1.77	1.78	1.79	1.80	1.81	1.82	1.83	1.84	1.85	1.86	1.87
57	1.64	1.65	1.66	1.67	1.68	1.69	1.70	1.71	1.72	1.73	1.74	1.75
56	1.52	1.53	1.54	1.55	1.56	1.57	1.58	1.59	1.60	1.61	1.62	1.63
55	1.40	1.41	1.42	1.43	1.44	1.45	1.46	1.47	1.48	1.49	1.50	1.51
54	1.34	1.345	1.35	1.355	1.36	1.365	1.37	1.375	1.38	1.385	1.39	1.395
53	1.28	1.285	1.29	1.295	1.30	1.305	1.31	1.315	1.32	1.325	1.33	1.335
52	1.22	1.225	1.23	1.235	1.24	1.245	1.25	1.255	1.26	1.265	1.27	1.275
51	1.16	1.165	1.17	1.175	1.18	1.185	1.19	1.195	1.20	1.205	1.21	1.215
50	1.10	1.105	1.11	1.115	1.12	1.125	1.13	1.135	1.14	1.145	1.15	1.155

Note: You must have 30 years of service credit to retire between the ages of 50 and 55.

Career Factor

If you have 30 or more years of credited service, add 0.2 percent to the age factor on the above chart. The maximum age factor with the career factor is 2.4.

Example:	Age	Without career factor	With career factor
	61 - 3 mos.	2.167%	2.367%
	61 - 9 mos.	2.23%	2.400%*

* maximum age factor

Option Worksheets

You can use these worksheets to estimate your own reduced retirement benefit, using the age and option factor tables in this section. You can also get a benefit estimate at www.CalSTRS.com.

The following examples show reduced retirement benefits based on both the member and the option beneficiary being age 60 on the effective date of retirement.*

100% Beneficiary Option

Under 100% Beneficiary Option, upon your death, your option beneficiary will continue to receive the same reduced benefit you were receiving for his or her lifetime. If the option beneficiary predeceases you, your benefit will rise to the Member-Only amount.

Example	Your Estimate
\$1,886.11 (payable to member upon death of Option Beneficiary)	\$ _____
x Option Factor [†] .8665	x _____
= 100% Beneficiary Option Benefit to Member or Option Beneficiary \$1,634.31	\$ _____

75% Beneficiary Option

Under 75% Beneficiary Option, upon your death, your option beneficiary will receive 75 percent of the reduced benefit you were receiving for his or her lifetime. If the option beneficiary predeceases you, your benefit will rise to the Member-Only amount.

Example	Your Estimate
\$1,886.11 (payable to member upon death of Option Beneficiary)	\$ _____
x Option Factor [†] .9004	x _____
= 75% Beneficiary Option Benefit to Member \$1,698.25	\$ _____
75% to Option Beneficiary \$1,273.69	\$ _____

50% Beneficiary Option

Under 50% Beneficiary Option, upon your death, your option beneficiary will receive 50 percent of the reduced benefit you were receiving for his or her lifetime. If the option beneficiary predeceases you, your benefit will rise to the Member-Only amount.

Example	Your Estimate
\$1,886.11 (payable to member upon death of Option Beneficiary)	\$ _____
x Option Factor [†] x .9408	x _____
= 50% Beneficiary Option Benefit to Member \$1,774.45	\$ _____
50% to Option Beneficiary \$ 887.23	\$ _____

* These examples are based on factors retrieved from the Option Factor Tables later in this section and applied to the Member-Only Benefit calculated on page 71. Minor differences may occur when actual calculations are performed as the age of the member and option beneficiary are based on the nearest quarter year of age.

[†] To find the option factor, find your age, option beneficiary's age and option number starting on page 52.

Compound Option

Under Compound Option, you will receive a reduced retirement benefit. Upon your death, your option beneficiaries will each receive a reduced benefit as provided by the calculation formula used under each option selected. You select two or more beneficiaries under Compound Option or you may select one beneficiary and retain a portion as Member-Only to comply with a court order of dissolution.

Following the example, use the worksheet on the following page to estimate how much you and your option beneficiaries would receive if you select this option.

(Use additional worksheets if selecting more than two option beneficiaries.)

Compound Option Example			
	<u>Member</u>	<u>Beneficiary 1</u>	<u>Beneficiary 2</u>
1. Member's Member-Only Benefit	\$1,886.11		
2. Percentages of Member-Only Benefit allotted as Member-Only to member (if any) and to each beneficiary	40%	40%	20%
3. Amount of Member-Only Benefit allotted to member and each beneficiary (Multiply #1 by #2 and enter)	\$754.44	\$754.44	\$377.22
4. Option selected for each beneficiary		50% Beneficiary Option	75% Beneficiary Option
5. Option beneficiary's age		60	30
6. Option factor (Using Option Tables, locate factor based on member age, beneficiary age and option.)		.8665	.8181
7. Benefit to each option beneficiary upon member's death (Multiply #3 by #6 then enter)		\$653.72	\$308.60
8. Member's reduced benefit (Add #7 to column 1 of #3)	\$754.44 + \$653.72 + 308.60 = \$ 1,716.76		

Compound Option Worksheet

Your Estimate	Member	Beneficiary 1	Beneficiary 2
1. Member's Member-Only Benefit	\$ _____		
2. Percentages of Member-Only Benefit allotted as Member-Only to member (if any) and to each beneficiary [§]	% _____	% _____	% _____
3. Amount of Member-Only Benefit allotted to member and each beneficiary (Multiply #1 by #2 and enter)	\$ _____	\$ _____	\$ _____
4. Option selected for each beneficiary		_____	_____
5. Option beneficiary's age		_____	_____
6. Option factor (Using Option Tables, locate factor based on member age, beneficiary age and option.) [†]		_____	_____
7. Benefit to each option beneficiary upon member's death (Multiply #3 by #6 then enter)		\$ _____	\$ _____
8. Member's reduced benefit (Add #7 from all option beneficiary worksheets to column 1 of #3)	\$ _____		

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[§] Percentages assigned to all option beneficiaries and the percentage, if any, retained as Member-Only must equal 100 percent.

[†] To find the option factor, find your age, option beneficiary's age and option selection starting on page 52.

Service Retirement Option Factor Tables

MBR	BEN	100% Option	75% Option	50% Option
55	5	0.8061	0.8506	0.9014
55	10	0.8086	0.8527	0.9030
55	15	0.8118	0.8555	0.9051
55	20	0.8160	0.8591	0.9079
55	25	0.8217	0.8639	0.9115
55	30	0.8292	0.8702	0.9162
55	35	0.8388	0.8782	0.9220
55	40	0.8507	0.8879	0.9291
55	45	0.8649	0.8993	0.9372
55	50	0.8812	0.9121	0.9461
55	55	0.8986	0.9255	0.9553
55	60	0.9160	0.9387	0.9640
55	65	0.9324	0.9508	0.9719
55	70	0.9469	0.9614	0.9787

MBR	BEN	100% Option	75% Option	50% Option
59	5	0.7574	0.8100	0.8734
59	10	0.7597	0.8121	0.8750
59	15	0.7629	0.8148	0.8772
59	20	0.7670	0.8185	0.8800
59	25	0.7726	0.8233	0.8838
59	30	0.7800	0.8298	0.8888
59	35	0.7897	0.8381	0.8952
59	40	0.8021	0.8486	0.9031
59	45	0.8175	0.8614	0.9125
59	50	0.8357	0.8762	0.9232
59	55	0.8563	0.8926	0.9347
59	60	0.8781	0.9095	0.9463
59	65	0.8996	0.9260	0.9573
59	70	0.9197	0.9409	0.9671

56	5	0.7948	0.8413	0.8950
56	10	0.7973	0.8434	0.8966
56	15	0.8004	0.8462	0.8987
56	20	0.8047	0.8498	0.9015
56	25	0.8104	0.8547	0.9052
56	30	0.8179	0.8610	0.9100
56	35	0.8275	0.8691	0.9159
56	40	0.8396	0.8790	0.9232
56	45	0.8541	0.8908	0.9317
56	50	0.8709	0.9042	0.9411
56	55	0.8892	0.9183	0.9508
56	60	0.9077	0.9324	0.9602
56	65	0.9253	0.9456	0.9688
56	70	0.9412	0.9572	0.9763

60	5	0.7437	0.7983	0.8654
60	10	0.7460	0.8004	0.8670
60	15	0.7491	0.8031	0.8692
60	20	0.7532	0.8068	0.8720
60	25	0.7587	0.8116	0.8759
60	30	0.7661	0.8181	0.8809
60	35	0.7758	0.8265	0.8874
60	40	0.7883	0.8371	0.8954
60	45	0.8038	0.8502	0.9051
60	50	0.8224	0.8654	0.9163
60	55	0.8436	0.8825	0.9284
60	60	0.8665	0.9004	0.9408
60	65	0.8894	0.9180	0.9527
60	70	0.9110	0.9343	0.9634

57	5	0.7830	0.8315	0.8882
57	10	0.7854	0.8336	0.8898
57	15	0.7885	0.8363	0.8920
57	20	0.7928	0.8400	0.8948
57	25	0.7984	0.8449	0.8985
57	30	0.8059	0.8512	0.9033
57	35	0.8156	0.8594	0.9094
57	40	0.8278	0.8696	0.9169
57	45	0.8426	0.8817	0.9257
57	50	0.8600	0.8956	0.9355
57	55	0.8790	0.9105	0.9459
57	60	0.8987	0.9255	0.9560
57	65	0.9176	0.9397	0.9654
57	70	0.9348	0.9524	0.9735

61	5	0.7295	0.7861	0.8569
61	10	0.7318	0.7882	0.8586
61	15	0.7348	0.7909	0.8607
61	20	0.7389	0.7945	0.8636
61	25	0.7443	0.7993	0.8675
61	30	0.7516	0.8058	0.8725
61	35	0.7613	0.8143	0.8791
61	40	0.7738	0.8250	0.8874
61	45	0.7894	0.8383	0.8974
61	50	0.8084	0.8540	0.9090
61	55	0.8302	0.8718	0.9217
61	60	0.8541	0.8906	0.9349
61	65	0.8783	0.9094	0.9477
61	70	0.9015	0.9269	0.9593

58	5	0.7705	0.8211	0.8810
58	10	0.7729	0.8231	0.8826
58	15	0.7760	0.8259	0.8848
58	20	0.7802	0.8295	0.8876
58	25	0.7858	0.8344	0.8914
58	30	0.7933	0.8408	0.8963
58	35	0.8030	0.8491	0.9025
58	40	0.8153	0.8594	0.9102
58	45	0.8304	0.8719	0.9193
58	50	0.8482	0.8863	0.9296
58	55	0.8681	0.9019	0.9405
58	60	0.8888	0.9179	0.9514
58	65	0.9090	0.9332	0.9615
58	70	0.9276	0.9470	0.9705

62	5	0.7147	0.7733	0.8480
62	10	0.7170	0.7753	0.8497
62	15	0.7200	0.7780	0.8519
62	20	0.7240	0.7816	0.8548
62	25	0.7293	0.7865	0.8586
62	30	0.7366	0.7929	0.8638
62	35	0.7462	0.8014	0.8704
62	40	0.7587	0.8123	0.8789
62	45	0.7744	0.8257	0.8891
62	50	0.7936	0.8419	0.9011
62	55	0.8161	0.8602	0.9145
62	60	0.8408	0.8801	0.9285
62	65	0.8665	0.9000	0.9422
62	70	0.8913	0.9189	0.9548

Service Retirement Option Factor Tables

MBR	BEN	100% Option	75% Option	50% Option	MBR	BEN	100% Option	75% Option	50% Option
63	5	0.6994	0.7599	0.8387	67	5	0.6335	0.7007	0.7970
63	10	0.7016	0.7619	0.8404	67	10	0.6356	0.7027	0.7987
63	15	0.7046	0.7646	0.8426	67	15	0.6383	0.7053	0.8009
63	20	0.7085	0.7682	0.8455	67	20	0.6420	0.7087	0.8038
63	25	0.7138	0.7730	0.8494	67	25	0.6469	0.7133	0.8078
63	30	0.7210	0.7794	0.8545	67	30	0.6536	0.7196	0.8131
63	35	0.7305	0.7879	0.8613	67	35	0.6627	0.7280	0.8201
63	40	0.7430	0.7988	0.8699	67	40	0.6747	0.7390	0.8292
63	45	0.7588	0.8125	0.8804	67	45	0.6903	0.7531	0.8407
63	50	0.7782	0.8290	0.8928	67	50	0.7101	0.7707	0.8546
63	55	0.8012	0.8480	0.9068	67	55	0.7343	0.7917	0.8709
63	60	0.8268	0.8687	0.9216	67	60	0.7627	0.8157	0.8888
63	65	0.8537	0.8899	0.9363	67	65	0.7942	0.8415	0.9076
63	70	0.8802	0.9102	0.9499	67	70	0.8272	0.8679	0.9260
64	5	0.6836	0.7459	0.8289	68	5	0.6162	0.6848	0.7854
64	10	0.6858	0.7479	0.8306	68	10	0.6183	0.6868	0.7872
64	15	0.6887	0.7506	0.8328	68	15	0.6209	0.6893	0.7894
64	20	0.6925	0.7541	0.8357	68	20	0.6245	0.6927	0.7923
64	25	0.6978	0.7589	0.8396	68	25	0.6293	0.6973	0.7963
64	30	0.7049	0.7653	0.8449	68	30	0.6359	0.7035	0.8016
64	35	0.7143	0.7738	0.8517	68	35	0.6448	0.7118	0.8086
64	40	0.7267	0.7848	0.8604	68	40	0.6566	0.7228	0.8179
64	45	0.7425	0.7986	0.8712	68	45	0.6721	0.7370	0.8295
64	50	0.7621	0.8154	0.8840	68	50	0.6919	0.7547	0.8438
64	55	0.7855	0.8350	0.8986	68	55	0.7162	0.7761	0.8606
64	60	0.8119	0.8566	0.9142	68	60	0.7451	0.8007	0.8793
64	65	0.8401	0.8790	0.9298	68	65	0.7776	0.8277	0.8991
64	70	0.8682	0.9008	0.9446	68	70	0.8121	0.8555	0.9189
65	5	0.6673	0.7313	0.8187	69	5	0.5987	0.6686	0.7734
65	10	0.6694	0.7333	0.8204	69	10	0.6007	0.6705	0.7752
65	15	0.6723	0.7360	0.8226	69	15	0.6033	0.6730	0.7774
65	20	0.6761	0.7395	0.8255	69	20	0.6068	0.6764	0.7803
65	25	0.6812	0.7442	0.8295	69	25	0.6115	0.6809	0.7843
65	30	0.6882	0.7506	0.8347	69	30	0.6179	0.6870	0.7896
65	35	0.6975	0.7590	0.8416	69	35	0.6267	0.6953	0.7967
65	40	0.7098	0.7701	0.8505	69	40	0.6383	0.7062	0.8060
65	45	0.7256	0.7840	0.8615	69	45	0.6536	0.7204	0.8178
65	50	0.7453	0.8011	0.8747	69	50	0.6733	0.7382	0.8324
65	55	0.7690	0.8212	0.8899	69	55	0.6977	0.7599	0.8497
65	60	0.7962	0.8437	0.9063	69	60	0.7270	0.7852	0.8692
65	65	0.8256	0.8672	0.9229	69	65	0.7603	0.8133	0.8901
65	70	0.8553	0.8905	0.9389	69	70	0.7963	0.8426	0.9112
66	5	0.6505	0.7162	0.8081	70	5	0.5810	0.6520	0.7609
66	10	0.6527	0.7182	0.8098	70	10	0.5829	0.6539	0.7626
66	15	0.6555	0.7208	0.8120	70	15	0.5855	0.6564	0.7649
66	20	0.6592	0.7243	0.8149	70	20	0.5889	0.6597	0.7678
66	25	0.6642	0.7290	0.8188	70	25	0.5935	0.6641	0.7717
66	30	0.6711	0.7353	0.8241	70	30	0.5998	0.6702	0.7771
66	35	0.6803	0.7438	0.8311	70	35	0.6083	0.6784	0.7842
66	40	0.6924	0.7548	0.8401	70	40	0.6197	0.6892	0.7936
66	45	0.7082	0.7688	0.8513	70	45	0.6349	0.7034	0.8056
66	50	0.7279	0.7862	0.8649	70	50	0.6544	0.7213	0.8205
66	55	0.7520	0.8068	0.8806	70	55	0.6788	0.7433	0.8383
66	60	0.7798	0.8300	0.8978	70	60	0.7084	0.7692	0.8585
66	65	0.8103	0.8547	0.9155	70	65	0.7424	0.7982	0.8804
66	70	0.8416	0.8795	0.9327	70	70	0.7798	0.8290	0.9028

Defined Benefit Supplement Annuity Calculation Estimates

Member-Only Annuity

A lifetime monthly payment. Any balance remaining upon your death will be paid to your one-time death benefit recipient(s).

DBS Account Balance	Member's Age at Retirement			
	50	55	60	65
\$3,500	\$24	\$25	\$27	\$28
\$5,000	\$35	\$36	\$38	\$41
\$7,500	\$53	\$55	\$57	\$61
\$10,000	\$70	\$73	\$77	\$82
\$15,000	\$105	\$110	\$115	\$123
\$20,000	\$141	\$146	\$154	\$164
\$25,000	\$176	\$183	\$192	\$205

DBS Period-Certain Annuity

A monthly payment made for any number of years from three to 10. The amount you receive is based on the number of years over which the annuity is paid. The examples used here are selected to illustrate how the monthly amount changes over different periods. If you die before the annuity period ends, the remaining payments are paid to your one-time death benefit recipient(s).

DBS Account	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year	10 Year
\$3,500	\$108	\$84	\$70	\$60	\$53	\$48	\$44	\$41
\$5,000	\$155	\$120	\$100	\$86	\$76	\$69	\$63	\$59
\$7,500	\$232	\$180	\$150	\$129	\$115	\$104	\$95	\$89
\$10,000	\$310	\$241	\$200	\$172	\$153	\$139	\$127	\$119
\$15,000	\$465	\$361	\$300	\$259	\$230	\$208	\$191	\$178
\$20,000	\$620	\$482	\$400	\$345	\$306	\$278	\$255	\$238
\$25,000	\$775	\$603	\$500	\$432	\$383	\$347	\$319	\$297

DBS 100% Beneficiary Annuity

This choice provides a monthly annuity for your lifetime and the lifetime of your annuity beneficiary. One hundred percent of your monthly annuity would be paid to your annuity beneficiary upon your death.

DBS Account Balance	Member's Age at Retirement															
	50				55				60				65			
	Age of Annuity Beneficiary at Retirement															
	50	55	60	65	50	55	60	65	50	55	60	65	50	55	60	65
\$3,500	\$23	\$23	\$24	\$24	\$23	\$23	\$24	\$24	\$23	\$23	\$24	\$24	\$23	\$24	\$24	\$25
\$5,000	\$32	\$33	\$33	\$33	\$33	\$34	\$34	\$35	\$33	\$34	\$34	\$35	\$32	\$33	\$34	\$35
\$7,500	\$49	\$50	\$50	\$51	\$49	\$50	\$51	\$51	\$50	\$51	\$52	\$53	\$50	\$51	\$52	\$54
\$10,000	\$66	\$67	\$68	\$68	\$66	\$67	\$68	\$69	\$67	\$68	\$70	\$71	\$66	\$68	\$69	\$71
\$15,000	\$99	\$100	\$101	\$102	\$100	\$101	\$103	\$104	\$100	\$102	\$104	\$106	\$100	\$102	\$105	\$108
\$20,000	\$133	\$134	\$135	\$137	\$133	\$135	\$137	\$139	\$133	\$136	\$139	\$141	\$132	\$136	\$139	\$143
\$25,000	\$166	\$167	\$169	\$170	\$167	\$169	\$171	\$174	\$167	\$170	\$174	\$177	\$166	\$170	\$175	\$180

DBS 75% Beneficiary Annuity

This choice provides a monthly annuity for your lifetime and the lifetime of your annuity beneficiary. Seventy-five percent of your monthly annuity would be paid to your annuity beneficiary upon your death.

DBS Account Balance	Member's Age At Retirement															
	50				55				60				65			
	Age of Annuity Beneficiary at Retirement															
	50	55	60	65	50	55	60	65	50	55	60	65	50	55	60	65
\$3,500	\$24	\$24	\$24	\$24	\$24	\$24	\$25	\$25	\$24	\$25	\$25	\$26	\$25	\$25	\$26	\$26
\$5,000	\$34	\$34	\$34	\$35	\$34	\$35	\$35	\$36	\$35	\$35	\$36	\$37	\$35	\$36	\$37	\$38
\$7,500	\$51	\$51	\$52	\$52	\$52	\$52	\$53	\$53	\$52	\$53	\$54	\$55	\$53	\$54	\$55	\$56
\$10,000	\$68	\$68	\$69	\$69	\$69	\$70	\$70	\$71	\$70	\$71	\$72	\$73	\$71	\$72	\$74	\$75
\$15,000	\$102	\$103	\$103	\$104	\$103	\$104	\$105	\$106	\$105	\$106	\$108	\$110	\$106	\$108	\$111	\$113
\$20,000	\$136	\$137	\$138	\$138	\$138	\$139	\$141	\$142	\$140	\$142	\$144	\$146	\$142	\$144	\$147	\$151
\$25,000	\$170	\$171	\$172	\$173	\$172	\$174	\$176	\$177	\$175	\$177	\$180	\$183	\$177	\$180	\$184	\$188

DBS 50% Beneficiary Annuity

This choice provides a monthly annuity for your lifetime and the lifetime of your annuity beneficiary. Fifty percent of your monthly annuity would be paid to your annuity beneficiary upon your death.

DBS Account Balance	Member's Age at Retirement															
	50				55				60				65			
	Age of Annuity Beneficiary at Retirement															
	50	55	60	65	50	55	60	65	50	55	60	65	50	55	60	65
\$3,500	\$24	\$24	\$24	\$24	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$26	\$27	\$27	\$27	\$28
\$5,000	\$34	\$34	\$34	\$34	\$35	\$35	\$36	\$36	\$36	\$36	\$37	\$37	\$37	\$38	\$38	\$39
\$7,500	\$51	\$52	\$52	\$52	\$52	\$53	\$53	\$54	\$55	\$55	\$56	\$56	\$57	\$58	\$59	\$60
\$10,000	\$69	\$69	\$69	\$70	\$70	\$71	\$71	\$72	\$73	\$74	\$75	\$76	\$76	\$77	\$78	\$79
\$15,000	\$103	\$103	\$104	\$104	\$106	\$107	\$107	\$108	\$110	\$111	\$112	\$113	\$114	\$116	\$117	\$119
\$20,000	\$138	\$139	\$139	\$140	\$141	\$142	\$143	\$144	\$146	\$147	\$149	\$150	\$152	\$154	\$156	\$158
\$25,000	\$172	\$173	\$174	\$174	\$177	\$178	\$179	\$180	\$183	\$185	\$187	\$189	\$190	\$193	\$196	\$199

Note: the DBS annuity estimates above are not valid for CalSTRS Disability Benefit recipients.

7. After You Retire

Annual Benefit Adjustment

Each year, you will receive an increase equal to 2 percent of your initial benefit, beginning on September 1 after the first anniversary of your retirement. The adjustment will appear in your October 1 payment. These adjustments are not compounded.

Purchasing Power Protection

Purchasing power is a measurement of how your retirement benefit keeps pace with inflation. For example, if your benefit stays the same, but prices have doubled, your purchasing power is only 50 percent of what it was.

In addition to the annual benefit adjustment, two types of post-retirement benefit enhancements support the purchasing power of retired CalSTRS members:

- One-year supplemental benefit payments, payable in quarterly installments. These payments are made to retired members and beneficiaries whose benefits have fallen below a certain level of purchasing power. Purchasing power protection level is currently set at 80 percent.
- The Legislature occasionally grants ad hoc, or one-time, permanent increases to your monthly benefit.

Medicare Premium Payment Program

For Defined Benefit members who retire before July 1, 2012, CalSTRS will pay Medicare Part A, hospital premiums for eligible retired members who do not receive Medicare Part A premium free. The benefit may be extended by the Teachers' Retirement Board to members who retire in the future. For details on the Medicare Premium Payment program, see Section 5, Approaching Retirement.

Post-Retirement Employment

You may accept employment outside the California public school system in any capacity and continue to receive your CalSTRS retirement benefit with no limitation on your earnings.

Your only restriction on employment after service retirement is within the public school system of California. The law prohibits a retired member from working in a classified position, with the exception of a teacher's aide in certain circumstances. If you receive the retirement incentive and you return to work with the same employer who granted the retirement incentive within five years, you will forfeit the retirement incentive from the date you returned to work.

Earnings Limits

If you perform creditable service teaching in kindergarten through community college as an employee of a public school district, an independent contractor or an employee of a third party, there is a restriction on the amount you can earn without affecting your CalSTRS retirement benefit. For exceptions, see the following topic, Exemptions from the Earnings Limit.

The earnings limit on post-retirement earnings from public school employment for the 2006-07 school year is \$27,060. For the 2007-08 school year, the limit is \$27,940. This limit is adjusted each July 1 and CalSTRS notifies employers and retired members who have returned to work of each year's post-retirement earnings limit.

Earnings from teaching summer school and intersession count toward the post-retirement earnings limit. Post-retirement employment for creditable service may not begin earlier than your effective date of retirement. Your CalSTRS retirement benefit

will be reduced by the amount of creditable earnings from public school employment in excess of the earnings limit.

For more information on the earnings limit, call our Teletalk automated recording system at 800-228-5453 and enter 372 or visit our Web site at www.CalSTRS.com.

Exemptions from the Earnings Limit

Provided your employer submits the required documentation, the following post-retirement earnings are exempt from the earnings limit:

- If you return to post-retirement CalSTRS-covered employment without performing CalSTRS-covered employment for at least 12 consecutive months after your most recent retirement, you are automatically exempt from the earnings limit (this exemption ends on January 1, 2008, and does not require employer documentation).
- If you retired on or before January 1, 2004, and are providing direct remedial education in a classroom for grades 2 through 12.
(The following exemptions end January 1, 2008.)
- If you retired on or before January 1, 2004, and return to:
 - Provide direct instruction in a K-12 classroom.
 - Support or assess new teachers in Beginning Teaching Support and Assessment Program.
 - Provide support to individuals completing student teaching assignments, in Pre-Internship Teaching Program, alternate certification programs or in School Paraprofessional Teacher Training Program.
 - Provide direct instruction in Special Education and English language learner programs.
- If you return to work as a trustee or administrator for a financially insolvent employer.

- If you return to work in an emergency situation in an administrative position requiring highly specialized skills (this exemption is for one-half of the full-time salary).

Note: In some cases, these exemptions may be limited by collective bargaining agreements.

Returning to the Classroom

If you took a break from CalSTRS-covered employment, but plan to resume teaching, you may have to take the California Basic Educational Skills Test before returning to the classroom if:

- You hold a life or clear credential that was issued before 1983, and
- You have not been employed in a position requiring certification in any school district for 39 months or more.

For more information on the time constraints, possible exceptions and teacher credentialing, contact your employer.

Reinstatement to Active Member Status

Occasionally, a CalSTRS member retired for service decides to reinstate to active member status. You may reinstate as an active member by submitting the form *Reinstatement After Retirement*, available online or by calling CalSTRS. Once your request is received at CalSTRS, your retirement and your monthly benefits end.

Before reinstatement to active member status, you can make an appointment with a CalSTRS benefits counselor to discuss how your future benefits would be calculated if you return to active membership. Call 800-228-5453 to make an appointment with a counselor.

You may request an estimate of your future benefits by writing to CalSTRS. In your letter include your client ID number* (given on each letter from us) or your Social Security number, address, telephone number and full name. In addition, state your esti-

* For their security and privacy, all members are given a randomly generated Client ID number for identification. The number is available on any letter from CalSTRS and on your annual Retirement Progress Report and may be used on communication to us about your account.

mated salary, how long you plan to be an active member again and if you will select an option when you retire or have selected a pre-retirement option.

One Year Before Next Retirement

At least one year must elapse from the date of your reinstatement to active member status from either service retirement or disability retirement before you may retire again from CalSTRS.

Disability or Survivor Benefits

You must earn at least one year of service credit after the date of your reinstatement from service retirement before you qualify for disability benefits or for survivor benefits upon your death.

Retirement Incentive Program

If you retired on or after January 1, 1985, and reinstate, you will lose any additional service credit that you may have acquired by participating in the Retirement Incentive Program.

Pre-Retirement Election of an Option

You are not eligible to file a pre-retirement election of an option until one year has elapsed after the date of reinstatement from service retirement. However, if you retired under an option, that option will automatically become a pre-retirement election when you reinstate.

Coverage B

When eligible, you will be covered by Coverage B for survivor and disability benefits.

Discontinuing Deduction for Health Insurance Premiums

If CalSTRS is deducting health insurance premiums from your benefit and you decide to reinstate, you will need to make premium payment arrangements with your health insurance carrier.

Discontinuing Payment or Deduction of Medicare Premiums

If CalSTRS is paying your Medicare Part A or deducting your Medicare Part B premiums under the Medicare Premium Payment Program, you will have to pay these premiums yourself when you are reinstated. To arrange payment, contact the Social Security Administration at 800-772-1213. When you retire again, you may reapply for the Medicare Premium Payment Program.

Benefit Calculation if Reinstating

Reinstate for less than two years: When you retire a second time with less than two years of new service credit, your new service retirement benefit will be equal to the sum of both the following:

- An amount equal to the last Member-Only Benefit received immediately before reinstatement, increased by the 2 percent annual benefit adjustment (formerly COLA) that would have been applied to the benefit if you had not reinstated.

PLUS

- An amount based on service earned since your last reinstatement, your age at the subsequent retirement and final compensation. If your total credited service is 30 or more years, you may be eligible for the career factor and the longevity bonus on the credited service earned following reinstatement.

Reinstate for two years or more: When you retire a second time with two or more years of new service credit, all credited service earned during your entire career will be subject to the benefits in effect at the time of the subsequent retirement. The retirement benefit calculation will be adjusted to account for the period of retirement.

Keeping You Informed

The semi-annual *Retired Educator* newsletter keeps you informed on issues you may face after retirement. Also remember you can always contact us with your questions on retirement benefits and reinstatement.

8. Disability Benefits

As a member of the Defined Benefit Program, you have disability protection under one of the CalSTRS disability benefit programs. These are Disability Allowance under Coverage A or Disability Retirement under Coverage B. See the topic, Coverage A or Coverage B, later in this section for details on learning which coverage you have.

You may receive disability benefits if you meet eligibility requirements, including conditions for application and medical documentation requirements, and you have a medically determinable physical or mental impairment that prevents you from performing your usual job or comparable duties. The impairment must be permanent or expected to last at least 12 continuous months. Comparable duties are those for which you are qualified or can become qualified within a reasonable period of time with education, training or experience.

Before Filing a Disability Application

As soon as you start to consider applying for a disability allowance, Coverage A, or disability retirement, Coverage B, it is a good idea to learn about the choices available to you. For instance, if you return to active membership and later take a service retirement, your benefit will be calculated differently than if you had not received disability benefits.

A CalSTRS benefits counselor can provide details to help you make an informed decision. When scheduling an interview, inform the schedule coordinator that you wish to discuss a disability application.

If you are 55 or older and have 25 years or more of service credit, you may consider a service retirement instead of a disability retirement. Before completing a disability application, it is important that you consult with a CalSTRS benefits counselor to review

your available alternatives. However, receipt date of the application can impact your eligibility and/or benefit effective date.

For a list of benefits counseling locations and telephone numbers, see Section 4, Building Your Financial Future.

Reasonable Accommodation

Sometimes adjustments in the work environment can enable a member to continue working. Federal and state laws require employers to make reasonable adjustments for employees. Making such adjustments is known as reasonable accommodation. CalSTRS may also require you to request reasonable accommodation from your employer as a condition for receiving a disability benefit.

Examples of reasonable accommodation include employing a teacher's aide, changing your grade level or subject assignment, improving your classroom or parking assignment, relieving you from yard duty and assigning you to other positions for which you may be qualified.

If you have questions about reasonable accommodation, contact your school district or call CalSTRS at 800-228-5453.

Steps in the Disability Application Process

It is advisable to consult with a CalSTRS benefits counselor before beginning the disability application process. However, if you cannot consult with a counselor right away, do not delay submitting your application. You can consult with a counselor anytime during the process and withdraw your application later, if necessary. Steps in the disability application process include:

- Request a disability application packet from CalSTRS.
- Send the completed application and any pertinent documents to CalSTRS by

certified mail, return receipt requested. Remember: The date that the application is received at CalSTRS establishes the benefit effective date.

- CalSTRS receives and acknowledges receipt of your disability application and other documents you submit.
- CalSTRS reviews your application and eligibility status and mails requests for medical and other required documents to you.
- CalSTRS waits for receipt of information and sends follow-up requests for missing documents.
- CalSTRS will notify you if an Independent Medical Examination or Independent Vocational Evaluation must be scheduled.
- CalSTRS reviews all data on file and determines approval or disapproval.
- CalSTRS sends notification of decision to you.

Filing a Disability Benefit Application

How to File

To request a disability application packet, call us at 800-228-5453, write to CalSTRS or request a packet at www.CalSTRS.com. You should send all completed disability application documents to CalSTRS by certified mail with return receipt requested.

When to File

You can file a disability application while you are working or receiving sick leave or differential pay benefits from your employer. The effective date of disability benefits cannot be earlier than the first day of the month in which CalSTRS receives the application, but must be later than the last day of service for which you are paid.

CalSTRS encourages you not to wait until all benefits are exhausted before filing for disability benefits.

You can also file an application while you are not working if you meet one of the following conditions:

- You have been physically or mentally incapacitated from performance of service and the incapacity has been continuous from

- your last day of actual performance of service.
- You have applied within four months of termination of your CalSTRS-covered employment.
- You have applied within four months of your last day of actual performance of service if you are on a personal leave of absence.
- You have applied within twelve months of your last day of actual performance of service if you are on an employer-approved leave to study at an approved college or university.

For more information, visit our Web site at www.CalSTRS.com, call us at 800-228-5453 or ask your benefits counselor during your interview. We also encourage conservators, guardians or others caring for a physically or mentally incapacitated CalSTRS member to contact us to inquire if the member qualifies for disability benefits.

Time Frame for Processing a Claim

The length of processing time varies from one to six months depending on individual cases. Medical information, including additional professional opinions, may be required to make a final determination. You can help CalSTRS by filing a complete application, including relevant physician and hospital reports, and promptly providing any other required documentation.

Do not wait to file your application because you do not have your medical documents.

Information to Provide

If you believe you are eligible to file for disability benefits, you will need to provide information including medical records and hospital reports. You are responsible for any fees charged for providing information to CalSTRS.

If additional medical information is necessary, an Independent Medical Examination may be scheduled. CalSTRS will notify you if this is necessary, and CalSTRS will pay for the examination and any reasonable related costs.

Independent Vocational Evaluation

An independent vocational evaluation may be required to determine if you can perform your essential core duties at a

comparable level. Duties of a comparable level are defined as any job that a member may be qualified to perform that will provide earnings of $66\frac{2}{3}$ percent or more of the member's indexed final compensation.

The independent vocational evaluation usually begins with an interview with a vocational consultant. The consultant will discuss your job history and residual functional capabilities and limitations. Your employer may be interviewed to determine if your job can be modified and to see if reasonable accommodation would allow you to continue working.

Notification

You will receive written notification after CalSTRS reaches a decision on your disability application.

Approval

If your disability application is approved and you are still performing creditable service, you must cease on-the-job employment before CalSTRS can begin paying your benefits. Notification of your approval will also be sent to your employer.

You should receive your first disability payment within 45 days after CalSTRS receives all necessary information. The payment will include any retroactive disability payment amounts due.

After receipt of this first payment, you will receive a regular disability payment on or about the first day of each month.

Prescribed Treatment Program

If your disability is amenable to treatment that could allow you to perform your usual duties or those of a comparable level, you may be required to participate in a Prescribed Treatment Program developed by your attending physician.

Limited-Term Disability Benefits

If your condition is expected to improve with mental, physical or vocational rehabilitation, you may be approved for limited-term disability benefits. These benefits are granted for a specific time period; however, CalSTRS can renew them if your condition does not improve.

Vocational Rehabilitation Program

The CalSTRS Rehabilitation Program may provide services to members receiving a disability benefit.

If CalSTRS determines that you are a potential candidate for the Rehabilitation Program, an independent vocational evaluation will be conducted to assess your current capabilities and limitations. The consultant will also discuss your career interests and help you develop a rehabilitation plan with the goal of helping you return to comparable level employment.

You are required to make a good faith effort in developing a rehabilitation plan. Upon development and approval of your plan, CalSTRS will pay reasonable costs for tuition, fees, books and materials related to a college or vocational training program, transportation, job placement assistance and other activities that prepare you to return to comparable level employment.

If your medical condition worsens and you cannot continue your vocational rehabilitation program, your benefit will not be terminated.

Disapproval

If your disability application is not approved, you will receive a letter explaining the reason and your right to reapply, request a review or appeal.

Reapply

If eligible, you will be told that you can reapply and submit additional information that supports your original application. Your benefit effective date will then be based upon the receipt date of your second application or your last day of compensation, whichever is later.

Executive Review

If eligible, you will be told that you can request an Executive Review of your claim. An Executive Review is an internal, higher level review of your application and the original decision.

Right to Appeal

If you are not satisfied with the outcome of the Executive Review, you may request an administrative appeal. The following identifies who will hear the appeal:

- **Office of Administrative Hearings**
Appeals are processed through the Office of Administrative Hearings, a governmental agency independent of CalSTRS. You may represent yourself or hire an attorney to represent you at the hearing. An administrative law judge hears all evidence related to the case and issues a proposed decision to the Teachers' Retirement Board.
- **Teachers' Retirement Board**
The board can adopt or reject the decision of the administrative law judge. If you are dissatisfied with the decision of the Teachers' Retirement Board, you can appeal its decision to a Superior Court.

Coverage A or Coverage B

You are protected for disability under either Coverage A, Disability Allowance, or Coverage B, Disability Retirement.

If you became a CalSTRS member after October 15, 1992, you are protected under Coverage B. If you were a CalSTRS member prior to 1992, you remain in Coverage A unless you elected Coverage B during the election period.

To confirm which disability coverage you have, check your annual statement of account included in your *Retirement Progress Report* (formerly *Annual Statement of Account*) or call us at 800-228-5453.

Coverage A – Disability Allowance Program

The information in this section is for individuals who became members of CalSTRS before October 15, 1992, and did not elect Coverage B. If you elected Coverage B, see Coverage B – Disability Retirement Program later in this section.

If you receive a Disability Allowance under Coverage A, the disability benefit will continue to be paid as long as you remain disabled or until you reach age 60.

At age 60, the disability allowance will terminate and you will be eligible to apply for service retirement. A disability allowance may continue beyond age 60 only if you have eligible children and remain disabled. For a definition of eligible children, see the Glossary.

Eligibility Requirements

To apply for a disability allowance you must meet the following requirements:

- **Age**
You must be under age 60.
- **Service credit**
You must have five or more years of credited service. Four of the five years of credit must be for actual performance of creditable service. At least one year of service credit must have been earned after the date of your most recent reinstatement to membership:
 - 1) After receiving a disability benefit,
 - 2) Following a service retirement, or
 - 3) Following the most recent refund of your accumulated contributions, if applicable.

AND

Your last five years of credited service must have been performed in California.

You may be eligible for a disability allowance with one year of credited California service if you are disabled due to an unlawful act of bodily injury committed by another person upon you while you were working in CalSTRS-covered employment. If you believe this circumstance applies to you, contact CalSTRS for more information, or ask your benefits counselor during your interview.

Calculating Coverage A – Disability Allowance

If you are approved to receive a disability allowance, it will be 50 percent of final compensation for most applicants.

Final compensation for a full-time employee with fewer than 25 years of credited service is generally the highest average monthly earnable compensation during any period of three consecutive years (36 consecutive months). For a member with 25 or more

years of credited service, final compensation is the highest 12 consecutive months.

For periods of part-time employment such as hourly, substitute, daily salaries and percentage contracts, final compensation may be computed using actual salary earned during that period. For more information, contact CalSTRS or visit www.CalSTRS.com.

If you are approved to receive a disability allowance, you will receive the balance of your Defined Benefit Supplement as discussed in Section 6, Your Retirement Benefit. If you have an account balance of at least \$3,500 you can, on retiring, choose one of the following five annuities which are detailed in Section 6:

- Member-Only Annuity
- 100 percent Beneficiary Annuity
- 75 percent Beneficiary Annuity
- 50 percent Beneficiary Annuity
- Period-certain Annuity

Alternative Formula – Coverage A

If you have fewer than 10 years of service credit and become disabled between the ages of 45 and 60, an alternative disability allowance formula applies. In this case, the formula is 5 percent of final compensation for each year of credited service.

Fewer Than 10 Years

Alternative Formula - Coverage A

If you qualify for a disability allowance at age 50 with five years of service credit, you would receive a benefit of 25 percent of final compensation. If your final compensation is \$3,600 a month, your benefit would be calculated as follows:

$$5\% \times 5 \text{ years of service credit} = 25\%$$

$$25\% \times \$3,600 = \text{\$900 disability allowance}$$

Other Benefits that Affect Your CalSTRS Disability Allowance

Your monthly CalSTRS disability allowance, including the amount received for a dependent child, will be reduced by the full amount paid or payable from other public systems including:

- Workers' compensation.
- Social Security disability.
- Federal military disability.
- Income protection plans — if premiums were paid by the school employer, not by the member — and any other disability program financed with public funds.

Benefit Increase for Dependent Children

If you have eligible children you will receive an additional 10 percent of final compensation for each child, up to a maximum of four children, or 40 percent. The maximum benefit payable to a member is 90 percent of final compensation.

A child is eligible if, on the effective date of the disability allowance, he or she is:

- The unmarried or unregistered natural, adopted or stepchild of the member and not adopted by a person other than the member's spouse or registered domestic partner,
- Born within the 10-month period commencing on the effective date of the member's disability allowance,

Disability Allowance More Than 10 Years

Step A: Final Compensation

Highest 36 consecutive months earnable compensation

7/1/04 to 6/30/05 (12 mo) \$42,430

7/1/03 to 6/30/04 (12 mo) \$39,850

7/1/02 to 7/1/03 (12 mo) \$37,700

Final Compensation \$119,980 (36 mo. total) ÷ 36 months = \$ 3,332.78

Step B: 50% Formula

1. Final compensation x 50%	
\$3,332.78 x 50%	\$1,666.39
2. Eligible children (1 child @ 10%)	
10% x \$3,332.78	+ \$333.28
3. Monthly allowance before offset for other public benefit	
\$1,666.39 + 333.28	= \$1,999.67
4. Less benefit payable from another public system (Workers' Compensation)	
	- \$300.00
5. Adjusted Monthly Allowance	= \$1,699.67

- Under age 22, and
- Financially dependent upon the member.

When a child is no longer under age 22, marries, registers as a domestic partner or dies, the monthly benefit will be reduced by that child's portion.

Coverage A – Disability Allowance Examples

Final compensation must be determined before the monthly disability allowance can be calculated. Service credit is not a factor in the determination of the disability allowance, except when determining the monthly benefit under Coverage A when a member has fewer than 10 years of service credit and is between the ages of 45 and 60.

Disability Allowance Fewer Than 10 Years

Step A: Final Compensation

Highest 36 consecutive months earnable compensation

7/1/05 to 12/31/05 (6 mo)	\$20,950
7/1/04 to 6/30/05 (12 mo)	\$39,256
7/1/03 to 6/30/04 (12 mo)	\$36,624
7/1/02 to 12/31/02 (6 mo)	\$17,265

Final Compensation \$114,095 (36 mo. total) ÷ 36 Months = \$ 3,169.31

Step B: 50% Formula

Number of years of service credit 8.072

1. Service Credit x 5% x Final Compensation 8.072 x 5% x \$3,169.31	\$1,279.13
2. Eligible children 2 x 10% x \$3,169.31	+ \$633.86
3. Monthly allowance before offset for other public benefit \$1,279.13 + \$633.86	= \$1,912.99
4. Less benefit payable from other public system (Workers' Compensation)	- \$300.00
5. Adjusted Monthly Allowance	= \$1,612.99

Disability Allowance

More than 10 years with children

Charles is granted disability benefits with a benefit effective date of July 1. He has 14 years of service credit. Charles has one child eligible for benefits and he receives \$300 a month from workers' compensation.

Alternative Formula

Fewer than 10 years with children

Sharon is granted disability benefits with a benefit effective date of January 1. She has service credit of 8.072 years and is between age 45 and 60. She has two eligible children and receives \$300 a month from workers' compensation.

Earnings Limits

You are allowed to earn money once you are approved and begin receiving a disability allowance. CalSTRS recognizes it can be helpful for you to begin with part-time or limited employment as you return to teaching or other employment.

The law establishes two separate earnings limits for members receiving a disability allowance: a single-month earnings limit and a six-month earnings limit. Both limits apply to all earned income. The earnings limits are initially based on your final compensation. Each year an index factor, developed from the

Single-Month Limit

Margaret has a base disability allowance of \$1,500 and employment earnings of \$2,075 in a single month. Her employment earnings plus the base disability allowance exceed 100 percent of indexed final compensation (\$3,100).

\$1,500	(base disability allowance)
+ 2,075	(monthly employment earnings)
= 3,575	(total monthly income)
- 3,100	(indexed final compensation)
= \$475	(overpayment, which will be recovered by CalSTRS)

average salary increase of all CalSTRS active members, is used to determine indexed final compensation. Indexed final compensation serves as a measure of current salaries.

Single-Month Earnings Limit

The sum of your base disability allowance, that is, your monthly benefit before offset for other public benefits, plus your earnings from all employment, is compared to your indexed final compensation. A comparison is made to determine if your earnings have exceeded the single-month earnings limit.

If the earnings exceed the limit, the excess amount is considered an overpayment and CalSTRS must collect it back dollar for dollar.

Six-Month Earnings Limit

CalSTRS makes a separate calculation that compares your earnings to $66\frac{2}{3}$ percent of your indexed final compensation.

If you are able to earn $66\frac{2}{3}$ percent of the indexed final compensation from employment earnings over a continuous six-month period, you are no longer considered disabled. Your disability allowance will be terminated and any benefit payments made after this period will be recovered by CalSTRS.

Six-Month Limit

Bob earns \$2,075 monthly from employment earnings over any continuous six-month period.

\$3,100.00	(indexed final compensation)
x .66667	($66\frac{2}{3}\%$)
x 6	(months)
= \$12,400.06	(6 mo. earnings limit)
<hr/>	
\$2,075.00	(monthly employment earnings)
x 6	(months)
= \$12,450.00	(6 mo. employment earnings)
- \$12,400.06	(6 mo. earnings limit)
= \$49.94	(earnings in excess of 6 mo. earnings, which will be recovered by CalSTRS)

The Employment Development Department and your employer provide verification of the earnings you report to CalSTRS.

Periodic Review of Status

CalSTRS will review your medical and vocational status for continuing eligibility on a periodic basis. This review will include:

- Medical reports from your doctor.
- Your annual earnings from all employment, if any.
- An annual inquiry regarding other disability benefits.

You should notify CalSTRS if you:

- Return to employment or become self-employed.
- Change your address.
- Receive a change in benefits from another public agency or the benefits end.
- Have a child who marries, becomes a registered domestic partner or dies.

It is important that you keep CalSTRS informed of events that may affect your benefit eligibility so that overpayment of benefits does not occur.

Pre-Retirement Election of an Option

You are not required to cancel a pre-retirement election of an option to be eligible for a disability allowance. In addition, after reaching age 55, you may make a pre-retirement election of an option while receiving a disability allowance. A family allowance will not be payable if there is a pre-retirement election of an option in effect. For an explanation of family allowance see Section 9, Survivor Benefits.

This election is available if you want to ensure a monthly lifetime income to another person should you die prior to retirement. For more information about pre-retirement election of an option see the topic, Protecting Your Survivor with an Ongoing Benefit, in Section 6.

Transitioning to Service Retirement

When You Reach Age 60

Approximately six months before your 60th birthday, CalSTRS will notify you of the pending termination of the disability allowance and your eligibility to apply for service retirement. The notification will include an estimate of the Member-Only service retirement benefit you are eligible to receive and a service retirement application brochure.

Before calculating your service retirement benefit, CalSTRS will project your service credit through the duration of your disability. The final compensation used for the disability allowance will be projected forward at the rate of 2 percent per year. Your retirement benefit will be calculated using your actual and projected service credit and projected final compensation. You will receive either the service retirement benefit or the disability allowance you had been receiving prior to your 60th birthday, whichever is less.

You may also elect to modify the service retirement benefit by choosing one of the available options. If you had a pre-retirement election of an option before receiving your disability allowance, you can change your election if you convert to service retirement. However, if you do change, your retirement benefit will be reduced for life.

For more information, call the CalSTRS automated telephone system at 800-228-5453 and select Teletalk message 426 or go to www.CalSTRS.com.

Coverage B – Disability Retirement Program

This section is for members who joined CalSTRS after October 15, 1992, and for individuals who elected Disability Retirement Coverage B during the election held between October 1992 and April 1993. A member receiving a disability retirement benefit does not receive service credit. Your benefit will

continue to be paid as long as you remain disabled, without respect to age. If it is determined that you are no longer disabled, or you return to full-time employment, your disability retirement will be terminated and you will be reinstated to active membership.

Return to Active Membership

If you return to active service as a CalSTRS Defined Benefit member, when you retire your retirement benefit calculation will be affected by the time you received a disability allowance or disability retirement benefit.

Workers' Compensation

If a member receives both a CalSTRS disability retirement benefit and a disability benefit under a workers' compensation program for the same impairment, the CalSTRS benefit will be reduced by an amount equal to the workers' compensation benefit.

Eligibility Requirements

To apply for a disability retirement benefit, you must meet the following requirements:

- **Age**
There are no restrictions.
- **Service credit**
You must have five or more years of credited service. Four of the five years of credit must be for actual performance of creditable service. At least one year of service credit must have been earned after the date of your most recent reinstatement to membership:
 - 1) After receiving a disability benefit.
 - 2) Following a service retirement or
 - 3) Following the most recent refund of your accumulated contributions.

AND

Your last five years of credited service must have been performed in California.

You may be eligible for a disability retirement benefit — with one year of credited California service — if you are disabled due to another person committing an unlawful act of bodily injury upon you while you were working in CalSTRS-covered employment. If

you believe this circumstance applies to you, contact CalSTRS or ask your benefits counselor for more information during your interview.

Option Beneficiary

An option is a plan feature that allows you to choose to distribute your disability retirement benefit over both your lifetime and the lifetime of another person or persons. An option provides a reduced retirement benefit based on a percentage of the Member-Only Benefit level. At the time you begin receiving a disability retirement benefit, you may elect an option if you wish to have another person or persons receive a monthly income after your death. The amount of your reduced benefit will depend upon your age and the age of your option beneficiary or beneficiaries on your disability retirement effective date. For option descriptions, see Section 6, Your Retirement Benefit.

Option tables for disability are not included in this handbook. We recommend that you contact a benefits counselor for an estimate of your benefit and the benefit of your beneficiary or beneficiaries under each of the options.

Calculating Coverage B – Disability Retirement

If you are approved to receive a disability retirement benefit, it will be 50 percent of your final compensation. This is also referred to as the Member-Only Benefit. A Member-Only Benefit is usually the highest monthly benefit available to a retired member. Upon death, the Member-Only Benefit will stop; it does not provide for a monthly income to a survivor after your death. If you elect an option beneficiary, your disability retirement will be a reduced amount and will provide a monthly income for one or more beneficiaries should you die while receiving the benefit.

Final compensation for a full-time employee with 25 years of service credit is a member's highest average monthly earnable compensation during any period of one year (12 consecutive months) of credited service. For those with fewer than 25 years of service credit, final compensation is a

member's highest average monthly earnable compensation during any period of three consecutive years (36 consecutive months). One-year final compensation is available under certain circumstances. For information on nonconsecutive final compensation and one-year final compensation, see Final Compensation in Section 6.

For periods of part-time employment (hourly, substitute, daily, and percentage contracts), final compensation may be computed using actual salary earned during that period. Call us for details at 800-228-5453.

Defined Benefit Supplement Distribution

If you are approved to receive a disability retirement benefit, you will receive the balance of your Defined Benefit Supplement as discussed in Section 6, Your Retirement Benefit. If you have an account balance of at least \$3,500 you can, on retiring, choose one of the following five annuities, which are detailed in Section 6:

- Member-Only Annuity
- 100 percent Beneficiary Annuity
- 75 percent Beneficiary Annuity
- 50 percent Beneficiary Annuity
- Period-certain Annuity

Increased Benefit for Dependent Children

If you have eligible children you will receive an additional 10 percent of final compensation for each child, up to a maximum of four children or 40 percent. The maximum benefit payable to a member is 90 percent of final compensation.

To qualify, your child must be financially dependent upon you on the effective date of your disability retirement benefit and must be under age 21. When your child is no longer under age 21 or dies, the monthly benefit will be reduced by that child's portion. Children's CalSTRS benefits will not be affected by receipt of other benefits.

Calculation Example

Final compensation must be determined before your monthly benefit can be calculated. Service credit is not a factor in the determination of the disability retirement benefit.

Your Member-Only Benefit will be adjusted depending on the disability retirement option you have selected.

Disability Retirement Calculation

Jack is granted benefits with an effective date of September 1. He has three eligible dependent children. Jack has elected to receive a Member-Only Benefit. He is not eligible for workers' compensation.

Step A: Final Compensation

36 consecutive months earnable compensation

7/1/05-8/31/05 (2 mo.) \$ 5,727.30

7/1/04-8/31/05 (12 mo.) \$33,099.00

7/1/03-6/30/04 (12 mo.) \$30,375.60

9/1/02-6/30/03 (10 mo.) \$24,908.30

Final Compensation \$94,110.20 (36 mo. total) ÷ 36 months = \$2,614.17

Step B: Calculate Disability Retirement Benefit

1. Final Compensation x 50%	
= Member-Only Benefit (\$2,614.17 x 50%)	= \$1,307.09
2. Benefit payable from workers' compensation	- \$0.00
3. Number of eligible children (3 x 10% x \$2,614.17)	+ \$784.25
4. Adjusted Monthly Benefit	= \$2,091.34

Earnings Limit

You are allowed to earn money once you are approved and begin receiving a disability retirement benefit. CalSTRS recognizes that it can be helpful to begin with limited employment as you return to teaching or other employment. However, your earnings from all types of employment, including self-employment, are subject to an earnings limit, unless you are participating in an approved CalSTRS rehabilitation plan.

How Much You Can Earn and Still Receive a Disability Retirement Benefit

Your CalSTRS disability retirement benefit will be reduced dollar-for-dollar by the total amount of earnings from all employment in excess of the 12-month calendar year limit. You will be required to provide CalSTRS with an annual report of your gross earnings from all employment. The Employment Development Department and your employer(s) verify the reported earnings.

The 2007 calendar year earnings limit is \$24,300. The limit is determined early each calendar year.

Periodic Review of Status

CalSTRS will review your medical and vocational status for continuing eligibility on a periodic basis. This review will include:

- Medical reports from your doctor.
- Your annual earnings from all employment, if any.
- An annual inquiry about other disability benefits.

You should notify CalSTRS if you:

- Return to employment or become self-employed.
- Change your address.
- Receive a change in benefits you receive from workers' compensation.

It is important that you keep CalSTRS informed of events that may affect your benefit eligibility so that overpayment of benefits does not occur. Failure to respond to requests for information could result in the termination of benefits.

9. Survivor Benefits

The Defined Benefit Program provides benefits to survivors, when your death occurs either before or after your retirement. These benefits provide a basic level of security for your survivors, depending on if you have Coverage A, Family Allowance, or Coverage B, Survivor Benefit.

Coverage A or Coverage B – Family or Survivor Benefits

If you became a CalSTRS member after October 15, 1992, your survivors are protected under Coverage B, Survivor Benefit. If you were a CalSTRS member before that date, you were offered the choice of either Coverage A or Coverage B. Check your *Retirement Progress Report* (formerly *Annual Statement of Account*) for which coverage you have or call us at 800-228-5453. You can also view your annual statement information by logging into myCalSTRS. Go to www.CalSTRS.com and login or register to access myCalSTRS.

One-Time Death Benefit

A one-time death benefit is payable to the one-time death benefit recipient, or recipients, under both Coverage A and B if eligibility requirements are met. The amount of this benefit depends on your coverage and whether death occurs before or after your retirement. If you do not name a recipient, your estate will receive the one-time death benefit. For more information on one-time death benefit recipients, see Section 5, Approaching Retirement.

Monthly Benefits

Monthly benefits may be paid to your eligible survivors if you die before retirement or if you were receiving a disability benefit at the time of death. These monthly benefits are not made to option beneficiaries if you had elected a pre-retirement option. For more information on pre-retirement option election,

see Protecting Your Loved Ones Before You Retire in Section 5.

Less Than One Year of Service Credit

If you have less than one year of service credit, the benefit payable to your death benefit recipient, or recipients, is a refund of accumulated Defined Benefit and Defined Benefit Supplement contributions and interest.

Reporting the Death of a Member or Benefit Recipient

CalSTRS should be notified as soon as possible of the death of a member, option beneficiary or CalSTRS benefit recipient. You can either write CalSTRS at

P. O. Box 15275
Sacramento CA 95851-0275

OR

Call 800-228-5453

CalSTRS will need the following information:

- Deceased person's name and Social Security number or CalSTRS Client Identification Number.
- Date of death.
- Individual's status immediately preceding death: retired, disabled, a member in active teaching status, option beneficiary or other benefit recipient.
- Name, address and telephone number of contact person.

Survivor Benefit Applications

Applications for survivor benefits are now taken over the telephone in most cases. Once notification of death is made, a caseworker will be assigned. A caseworker will contact the recipients to complete the application over the telephone or by written correspondence. The name and telephone number of the caseworker will be provided to the recipients by written notification.

A copy of the death certificate must be sent to CalSTRS. Additional information or documentation may be requested. CalSTRS payments issued to the deceased after the date of death must be returned to CalSTRS or may be deducted from subsequent benefits paid.

Payment of Benefits

CalSTRS generally pays benefits to recipients within 45 days of receiving the last required document. Payment may be delayed if CalSTRS does not receive documentation, such as marriage or death certificate, in a timely manner or if we do not have a *One-Time Death Benefit Recipient Designation* form on file that identifies the name and address of the current recipient or recipients.

Coverage A – If You Die Before Retirement

Under Coverage A, benefits are payable to your survivors if you became a member of CalSTRS before October 16, 1992, and did not elect Coverage B in the election held between October 1992 and April 1993.

One-Time Death Benefit

Under Coverage A, if you die before retirement, CalSTRS pays a one-time death benefit to your named recipient or recipients. (This amount is adjusted periodically by the Teachers' Retirement Board. The amount through June 30, 2007, is \$6,163) If you name more than one recipient, the payment is divided equally, unless you specified other percentages of distribution. If you do not name a one-time death benefit recipient, CalSTRS must make the payment to your estate.

For CalSTRS to pay this benefit, you must have had one year or more of credited service and your death must have occurred during one of the following periods:

- While in employment for which compensation is paid or while receiving a disability benefit.
- Within four months after you terminated employment or had last earned creditable service.

- Within four months after you terminated a disability benefit if no service was performed after the termination.
- Within 12 months of the last day for which compensation was paid, if you were on an approved leave of absence without compensation for reasons other than disability or military service.

If you worked part time, death must have occurred within four months after ending employment or earning service credit.

In addition to these qualifications, if you had taken a refund of accumulated retirement contributions, you must have subsequently performed one year of credited service.

Eligibility for Family Allowance

For your survivors to be eligible for the monthly family allowance, you must have met the same eligibility requirements as for the one-time death benefit described earlier and you:

- Cannot have a pre-retirement election of an option in effect.
- Must have earned one year of credited CalSTRS service since reinstatement from service retirement, if applicable.
- Must have earned at least one-half year of credited service after a break in service of more than one year, if applicable.

Under Coverage A, a monthly family allowance is payable to:

1) The surviving spouse or registered domestic partner with eligible children

A dependent child is eligible if he or she is:

- Your natural or adopted child or stepchild and not adopted by a person other than your spouse or partner,
- Born within the 10-month period starting on the date of your death,
- Under age 22
- Unmarried or unregistered as a domestic partner at the time of your death, and
- Financially dependent upon you on the date of your death or on the effective date of disability, if you died while receiving a disability benefit.

Your surviving spouse or partner will receive 40 percent of your final compensation and 10 percent of your final compensation for each eligible child up to a maximum of 50 percent for five or more children. The maximum family allowance is 90 percent of your final compensation. The family allowance is payable as long as the dependent child is under age 22, unmarried, or not a registered domestic partner. (See example on the next page.)

2) Dependent children, but no surviving spouse or registered domestic partner

If you have dependent children, but no surviving spouse or partner, the dependent children are eligible for 10 percent of your final compensation for each child up to a maximum benefit of 50 percent. If you have more than five eligible dependent children, they will share equally in the total 50 percent of final compensation. Benefits to each dependent child will end on the day prior to each child reaching age 22, date of marriage or registration as a domestic partner, or date of death, whichever occurs first. When all of your children are no longer eligible for a benefit, any remaining contributions and interest in your account, less all monthly benefits paid, will be paid to the recipient or recipients you named to receive the one-time death benefit. If you did not name a recipient, CalSTRS must make the payment to your estate.

3) The surviving spouse or partner with no eligible children

If there are no eligible children, or when the last child is no longer eligible, your surviving spouse or partner may elect to receive:

- A return of the accumulated Defined Benefit contributions and interest in your account at the time of your death, less all monthly benefits paid.

OR

- A monthly benefit payable for life. The calculation* is based on the projected service credit and final compensation you would have accrued as if you had retired at age 60. If the monthly allowance is paid before age 60, the amount is actuarially reduced.

Neither the longevity bonus nor career factor is part of the calculation for monthly coverage at age 60 because your death occurred before retirement. For details, see section 6, Your Retirement Benefit.

4) Dependent parents

A family allowance can be paid to your dependent parents if there is no surviving spouse or partner and no dependent children. A parent will be paid a monthly payment for life beginning at age 60 or, if the dependent parent is under age 60, he or she may elect to receive an actuarially reduced benefit for life. For more information about eligibility requirements for this benefit, contact CalSTRS at 800-228-5453.

5) Named recipient

If there is no surviving spouse, partner, eligible children or dependent parents, the remaining Defined Benefit contributions and interest in your account, if any, will be paid to the recipient or recipients you named to receive your one-time death benefit. If no recipient was named, CalSTRS must make the payment to your estate.

Offsets

CalSTRS must reduce any family allowance under Coverage A by the amount of benefits payable by other public systems because of a member's death. Other public systems include Social Security, federal civil service retirement, federal military disability, railroad retirement, and any other public retirement system including disability programs financed from public funds.

*The calculation will also include service credit for the member's unused sick leave if he or she became a CalSTRS member before July 1, 1980, or died on or after January 1, 1999.

A copy of any award letters must be sent to CalSTRS so that payments can be adjusted.

Family Allowance Example

Rob dies at age 40. His survivors include Linda, his spouse, and three eligible children.

Linda will receive a monthly family allowance of \$1,754 as long as she has three eligible children. In addition, an annual benefit improvement increase of 2 percent of the basic benefit will be added to the monthly payment each September, beginning a year after Rob’s death. As each child becomes ineligible, that child’s increment will no longer be included in the basic benefit.

When her youngest child reaches age 22, or is no longer eligible, Linda, age 57, will have to make a choice:

- She can take the remaining Defined Benefit contributions and interest in Rob’s account, less all previously paid benefits.

Family Allowance	
Coverage A	
Member: Rob, age 40	
Spouse: Linda, age 40	
Children: Mike 15, Robert 10 & Sandy 5	
Service Credit: 10 years	
Final Compensation	\$3,220
a. Spouse’s Benefit	
40% x \$3,220	= \$1,288
b. Children’s Increment	
3 x 10% x \$3,220	+ \$966
Family Allowance with eligible children (a+b)	= \$2,254
Less Social Security offset	- \$500
Amount payable by CalSTRS	= \$1,754

OR

- At age 60, Linda can receive the surviving spouse benefit payable for life. She will receive a monthly payment of \$1,353.85, based on Rob’s projected service and projected final compensation, as if Rob lived to age 60 and retired with the 50% Beneficiary Option.

OR

- If Linda elects to receive the surviving spouse benefit before age 60, the benefit will be actuarially reduced.

Coverage B – If You Die Before Retirement

Under Coverage B, benefits are payable to your survivors if you became a member of CalSTRS on or after October 16, 1992, or elected Coverage B in the election held between October 1992 and April 1993.

Coverage B – One-Time Death Benefit

Under Coverage B, if you die before retirement, CalSTRS pays a one-time death benefit to your named recipient or recipients. (This amount is adjusted periodically by the Teachers’ Retirement Board.) If you name more than one recipient, the payment is divided equally, unless you specified other percentages of distribution. If you do not name a one-time death benefit recipient, CalSTRS must make the payment to your estate. The one-time death benefit is \$24,652 through June 30, 2007.

For CalSTRS to pay this benefit you must have had one year or more of service credit and your death must have occurred during one of the following periods:

- While in employment for which creditable compensation is paid.
- Within four months after you terminated employment or had last earned creditable service.
- Within 12 months of the last day for which creditable compensation is paid, if you were on an approved leave of absence without compensation for reasons other than disability or military service.

If you worked part time, death must have occurred within four months after ending employment or earning service credit. In addition to these qualifications, if you had taken a refund of contributions or had reinstated after retirement, you must also have:

- Earned one year of service credit.

OR

- Six months must have elapsed since reinstatement from disability retirement.

Qualifying for Monthly Survivor Benefits

You must have met the same eligibility requirements as for the one-time death benefit and you:

- Cannot have a pre-retirement election of an option in effect.
- Must have earned one year of credited CalSTRS service since reinstatement from service retirement, if applicable.
- Must have earned at least one-half year of service credit after a break in service of more than one year, if applicable.
- Must have died within four months after reinstatement from disability retirement, if you had reinstated to active membership from disability retirement.

Under Coverage B, a monthly survivor benefit is payable to:

1) Surviving spouse or registered domestic partner

Under Coverage B, the monthly survivor benefit payment is made to your surviving spouse or registered domestic partner.

Your spouse or partner is eligible for a monthly benefit whether or not there are eligible children. The benefit is calculated as if you had retired under the 50% Beneficiary Option on the date of death. Under Coverage B, your surviving spouse or partner has the choice of receiving either a monthly benefit or a return of your Defined Benefit contributions and interest.

Your surviving spouse or partner can begin receiving the survivor benefit either:

- Immediately as of the date of your death. The benefit is reduced if you were under age 60 at the time of death.

OR

- When you would have reached age 60.

The monthly benefit is calculated on your actual service credit and final compensation at the time of your death. If you die on or before age 60, your age and your spouse's or partner's ages as of the date you would have attained age 60 are used in the calculation.

If you die after age 60, your age and spouse's or partner's age as of the date of death will be used in the calculation.

The survivor benefit calculation will also include service credit for your unused sick leave.

Neither the longevity bonus nor career factor is part of the calculation for a monthly Coverage B survivor benefit because your death occurred before retirement. For details, see Section 6, Your Retirement Benefit.

2) Eligible children

If you have eligible dependent children and your spouse or partner decides to take a survivor benefit, each child will also receive a monthly benefit.

If you have no surviving spouse or partner, but have eligible dependent children, each child will be eligible to receive a monthly benefit.

A child is eligible if all of the following apply, that is, he or she is:

- Your natural or adopted child or step-child and not adopted by a person other than your spouse or partner,
- Under age 21, and
- Financially dependent upon you at the time of your death

A benefit is not payable to eligible dependent children if your surviving spouse or partner decides to receive a return of your Defined Benefit contributions and interest.

The child's benefit begins on the day following the date of your death and is payable until the day prior to the dependent

child reaching age 21, even if your spouse elects to wait to receive a monthly survivor benefit until your 60th birthday.

If your surviving spouse or partner dies before the dependent children become ineligible, the children's benefits are still payable until the day prior to each dependent child reaching age 21 or until the date of death of the dependent child. Once all children are no longer eligible for a benefit, any remaining Defined Benefit contributions and interest in your account, less all monthly benefits paid, will be paid to your death benefit recipient.

Each child's benefit is 10 percent of your final compensation, up to a maximum of 50 percent for five or more children.

3) Dependent children, but no surviving spouse or registered domestic partner

If you have dependent children, but no surviving spouse or partner, the dependent children are eligible for 10 percent of your final compensation for each child, up to a maximum benefit of 50 percent. If you have more than five eligible dependent children, they will share equally in the total 50 percent of final compensation. Benefits will cease on the day prior to the dependent child reaching age 21 or the date of death of the dependent child, whichever occurs first.

When all of your children are no longer eligible for a benefit, any remaining contributions and interest in your account, less all monthly benefits paid, will be paid to the recipient or recipients you named to receive the one-time death benefit. If you did not name a recipient, CalSTRS must make the payment to your estate.

4) If there is no surviving spouse, registered domestic partner or eligible children

No monthly benefits are payable to survivors if there is no surviving spouse, registered domestic partner or eligible dependent children. Your Defined Benefit accumulated retirement contributions and interest would be paid to your named recipient as a one-time benefit.

If no recipient was named, CalSTRS must make the payment to your estate.

Offsets

The monthly survivor benefit under Coverage B is not reduced by benefits payable from other public systems such as Social Security.

Survivor Benefit Example

Sharon dies at age 40. Her survivors include a spouse, David, and three children eligible for benefits. Her final compensation is \$3,220.

David can choose the surviving spouse benefit or he can choose to take a refund of the contributions and interest in Sharon's Defined Benefit account. *However, if he does not elect a monthly benefit, the children are not entitled to monthly benefits.*

If David elects the survivor benefit, he will immediately receive 10 percent of final compensation for each child (\$322 each) as of the date of Sharon's death, until each dependent child reaches age 21.

David's Choices:

David can choose to receive his surviving spouse benefit when Sharon would have reached her 60th birthday (normal retirement age) and receive the full amount or he can choose to receive a reduced benefit immediately.

Note: *The surviving spouse benefit is calculated based on the amount of service credited at death, as if the member lived to age 60 and had retired naming him as a 50% Beneficiary Option beneficiary, which is 50 percent of the reduced benefit.*

If David's choice is to defer receipt of his surviving spouse benefit, the children will receive the following benefit immediately as of the date of Sharon's death:

10% of final compensation for each child:
\$322 x 3 children = \$966

David would receive no spouse benefit until Sharon would have reached age 60, which would be 20 years from this time. He would then receive a spouse benefit of \$305.13 for the rest of his life. See the following calculation of the 50% Beneficiary Option beneficiary benefit.

If David elects to take his surviving spouse benefit immediately, the family will receive the following survivor benefit:

David's reduced spouse benefit (see the next calculation)	=	\$ 53.25
10% of final compensation for each child (\$322 x 3 children)	=	\$966.00
Total	=	\$1,019.25

Each dependent child's separate benefit will stop when that child reaches age 21. After David's last child is no longer eligible, he will continue to receive his spouse's benefit, \$53.25 per month in this case, for his lifetime.

In addition, an annual benefit improvement increase of 2 percent of the basic benefit will be added each September, beginning a year after Sharon's death.

Here are the choices David must make for the spouse's monthly benefit:

Defer benefit until Sharon's 60th birthday (see the Survivor Benefit example):		
\$610.25 ÷ 2	=	\$305.13

OR

Start benefit as of the date of Sharon's death		
\$305.13 x 17.45%		
(age 40 50% Beneficiary Option age factor)	=	\$53.25

Defined Benefit Supplement Distribution

If you die before retirement your recip-

Survivor Benefit

Coverage B

Member: Sharon, age 40
Spouse: David, age 40
Children: Joe 12, Sam 9, and Jake 7
Service credit: 10 years
Final compensation: \$3,220

Sharon's Member-Only Benefit, as if she were age 60
2% x 10 years of service credit x \$3,220 final compensation = \$644.00

Reduced benefit, based on 50% Beneficiary Option factor of 94.08% (member and spouse age 60)
0.9408 x \$644 = \$605.88

50% Beneficiary Option - Beneficiary receives one-half the member's reduced benefit
\$610.25 ÷ 2 = \$302.94

ient will receive a benefit based on the balance in your DBS account. If you have a minimum of \$3,500 per named recipient, your recipients will have a choice of a lump-sum payment or the following annuity choices:

- A single life without cash refund
- A period-certain annuity

If you die after retirement, you will have already made your Defined Benefit Supplement annuity selection. An ongoing monthly annuity will be paid depending on your selection at retirement.

Coverage A or B - When You Die After Retirement

Coverage A or B - One-Time Death Benefit

If you die after retirement, the one-time death benefit is the same under both Coverage A, Family Allowance, and Coverage B, Survivor Benefit.

CalSTRS pays a one-time death benefit to your named recipient or recipients if you are a retired member. (The amount of the payment may be adjusted periodically by the Teachers' Retirement Board.) If you name more than one recipient, the benefit is divided equally, unless you specified other percentages of distribution. If you did not name a one-time death benefit recipient, CalSTRS must make the payment to your estate. The one-time death benefit through June 30, 2007, is \$6,163.

Defined Benefit Supplement Distribution

If you die after retirement, depending on the annuity option selected for your DBS account, its balance may be distributed to your recipient or recipients named on your *One-Time Death Benefit Recipient Designation* form.

Monthly Benefit With an Option

Once you have retired, no monthly benefit is payable to your survivors unless you have chosen one of the options described in Section 6, Your Retirement Benefit. If you have

chosen an option, your option beneficiary or beneficiaries will receive the monthly benefit payable under that particular option. If you are retired and have not chosen an option, you have been receiving a Member-Only monthly benefit.

The option beneficiary who is receiving a monthly Defined Benefit and Defined Benefit Supplement payment may name a beneficiary to receive any remaining accrued benefit upon the option beneficiary's death.

Monthly Benefit Without an Option

If you are retired and you elected the Member-Only Benefit for your Defined Benefit pension, you receive it for your lifetime. No continuing monthly benefit will be payable to another person.

However, a one-time death benefit recipient will receive the monthly retirement benefit that accrued and was not paid during the month of death, plus any residual contributions and interest that may be in your Defined Benefit account, after all benefit payments made to you have been deducted.

In addition, your one-time death benefit recipient will receive any residual contributions and interest in your Defined Benefit

Supplement account, after all payments made to you have been deducted. If you had selected a Member-Only Annuity for your Defined Benefit Supplement account distribution, your one-time death benefit recipient will receive the monthly annuity payment that accrued and was not paid during the month of death.

Dies After Retirement

Member-Only Benefit

Elaine had been retired for 10 years at the time of her death on the 15th of the month. Elaine's monthly benefit was \$950. She had \$35,000 in contributions and interest at the time of retirement and received \$115,000 in retirement benefits before her death.

The amount payable to Elaine's recipient would be calculated as follows:

Contribution and interest balance at retirement	\$35,000
Less retirement benefit paid	- \$115,000
Remaining contributions and interest	0
Accrued monthly benefit during the month of death (½ month x \$950)	\$475
Current one-time death benefit	\$6,163
Total Payable	\$6,638

10. Tax Information and Legal Matters

Income Tax Withholding

Federal and California statutes require income tax withholding on distributions from pension plans, annuities and deferred compensation plans. Income tax will be withheld from the taxable portion of your benefit unless you take action not to have taxes withheld. To not have income tax withheld, you must file an *Income Tax Withholding Preference Certificate* with CalSTRS. You can do this on the retirement application in *Your Retirement Guide*, or you can download the certificate at www.CalSTRS.com or order it by calling 800-228-5453.

If you do not have taxes withheld or if you do not have enough withheld, you may need to make estimated tax payments. Generally, your withholding or estimated tax payments or the total of both must cover at least 90 percent of your total tax liability for the current year. Failure to meet the 90 percent limit could subject you to penalties.

You can view your current tax withholding elections on *myCalSTRS*. Go to www.CalSTRS.com and log in or register to access *myCalSTRS*.

A portion of your benefit may not be taxable if you made previously taxed contributions to CalSTRS during your career. CalSTRS uses the Simplified Method established by the Internal Revenue Service to determine the taxable portion of your benefit. You may use any acceptable method when reporting to the IRS. For details on the Simplified Method, see *Pension and Annuity Income*, IRS publication 575, available from the IRS or refer to *Pension and Annuity Guidelines*, FTB publication 1005, from the state Franchise Tax Board.

Periodic Payments

Unless you tell CalSTRS otherwise, CalSTRS will withhold income tax on your periodic payments — payments received in installments at regular intervals — as if you were married and claiming three dependents. To change this withholding, see information on how to file an *Income Tax Withholding Preference Certificate* later in this section.

Non-Periodic Payments

CalSTRS withholds income tax from non-periodic payments such as a partial lump sum, one-time death benefit or the benefit accrued and unpaid on the date of death of a CalSTRS benefit recipient. Withholdings from non-periodic payments are set at a flat rate of 20 percent for federal and 6 percent for state. Your beneficiary can elect not to have state taxes withheld from a non-periodic payment unless he or she resides outside of the United States or its possessions, in which case, tax withholding is required. Federal taxes must be withheld unless the payment is a rollover.

Income Tax Withholding Preference Certificate

To request a change to your income tax withholding status, you must complete *CalSTRS Income Tax Withholding Preference Certificate* form. CalSTRS must receive this form no later than the first day of the month preceding the month you wish the change to take effect. To order the form, call us at 800-228-5453 or download or order the form at www.CalSTRS.com.

Lump-Sum Distributions

If you receive a lump-sum distribution, including a refund of your contributions, you should be aware that the Internal Revenue Code provides several complex rules regarding

the taxation and penalties of such distributions. You may be eligible to defer tax liability on the taxable amount of the distribution by rolling over that amount into another qualified retirement plan or IRA.

To take advantage of these provisions, the distribution *must* be made by a trustee-to-trustee transfer. If you request a rollover distribution, additional information will be provided. For more information on rollovers, see the *CalSTRS Tax Considerations for Rollovers* brochure. To order this brochure, call 800-228-5453 and select option 3 or visit our Web site.

Tax Withholding for Out-of-State Residents

Pursuant to federal law, if you are not a resident of California, you are not subject to California state tax; however, CalSTRS benefits may be subject to taxation in the state in which you do reside. CalSTRS cannot withhold taxes for another state.

CalSTRS will not withhold California state income taxes for benefit payees who live outside California unless the payee files an *Income Tax Withholding Preference Certificate*.

CalSTRS recommends you consult a qualified tax professional for specific tax advice. You may contact the Internal Revenue Service, the state Franchise Tax Board or a qualified tax advisor for information relevant to your individual situation. For general information on withholding tax from CalSTRS benefits, call 800-228-5453 and select Teletalk and listen to message 650.

Internal Revenue Codes Affecting Benefits

Section 401(a)(9)

Section 401(a)(9) of the Internal Revenue Code and the California Education Code require CalSTRS to begin a distribution of a member's benefits no later than April 1 of the calendar year following the year the member reaches age 70½.

CalSTRS will not be required to begin distribution of your account if:

- You are currently employed in a position subject to coverage under CalSTRS.
- Your current employment is covered by, or you are retired from, another public retirement system. For a listing of other public retirement systems, see *Retiring From More Than One Public Retirement System* in Section 6.

Annually, CalSTRS attempts to notify members who may be affected by these statutory provisions. Therefore, it is important for members to ensure we have a current mailing address for you at all times.

Note: The IRS may impose an excise tax equal to 50 percent of the minimum required distribution if the member receives less than the minimum-required distribution for a taxable year. Refer to the IRS or a tax professional for details.

Section 401(a)(17)

Section 401(a)(17) of the IRC imposes a limit on the compensation that can be used to provide a benefit by a governmental plan such as CalSTRS. The compensation limit is applicable to all persons who became members or participants of CalSTRS on or after July 1, 1996. The compensation limit is \$220,000 for the 2006-2007 plan year and \$225,000 for the 2007-2008 plan year. Any compensation in excess of this limit is not creditable compensation and neither employer nor member contributions to the Defined Benefit Program, the Defined Benefit Supplement Program nor the Cash Balance Benefit Program are to be paid to CalSTRS on the excess amount.

Section 415

Section 415 of the IRC imposes a limit on benefits that can be paid by a state or local government defined benefit plan such as that administered by CalSTRS. Benefits are limited to an absolute dollar amount that is indexed for inflation. If you choose to receive a lump-sum payment, your service retirement will no longer qualify as a joint and survivor annuity under IRC Section 415 and may therefore exceed the Section 415 benefit

limit. For calendar year 2007, the dollar limit is \$180,000 at ages 62 through 65. The limit is lower below these ages and higher above these ages.

Currently, few CalSTRS members have been, or are likely to be, affected by the limits of Section 415. CalSTRS will notify you, upon receipt of your application for retirement, if your benefit will be affected by the IRC Section 415 benefit limit. Pursuant to federal law, CalSTRS has established a Replacement Benefits Program from which benefits in excess of the Section 415 limits can be paid. If your benefit is limited by IRC Section 415, in addition to the limited benefit, you will receive a separate payment from the Replacement Benefits Program.

Legal Matters

CalSTRS Right to Recover Costs

When a third party causes the injury or death of a CalSTRS member before retirement and the member or family pursues civil litigation, CalSTRS must be informed. CalSTRS has a right to recover an amount equal to the actuarial equivalent of benefits paid under the plan because of the injury or death of the member. The process that permits this participation is called subrogation.

Power of Attorney

CalSTRS members can arrange for management of their assets by a third party through the use of a power of attorney. CalSTRS can provide you with some of the necessary forms.

When a CalSTRS benefit payee becomes incapacitated and can no longer manage his or her financial affairs, CalSTRS may need to determine who has the legal authority to act on the payee's behalf regarding the payee's CalSTRS account and benefits. That authority could extend to changing the recipient's address, instituting or changing direct deposit authorizations and changing tax withholding preferences.

A durable power of attorney is the most common method used by a benefit payee to delegate authority to act for the payee. This document permits a benefit payee to act as a principal and appoint an agent. The document also identifies the extent of authority granted to the agent.

A durable power of attorney can be drafted by an attorney or purchased as a commercially available fill-in-the-blank form. CalSTRS has a *Special Power of Attorney* form available. This form enables your named agent to handle all matters pertaining to a CalSTRS account, unless barred by law.

In addition, CalSTRS requires an agent to execute an affidavit affirming the agent's authority under the durable power of attorney. For an agent's convenience, the CalSTRS form, *Declaration of Attorney in Fact*, can be completed by the agent each time he or she makes a request.

If you wish to obtain a *Special Power of Attorney* or a *Declaration of Attorney in Fact* form, call the CalSTRS automated telephone system at 800-228-5453 or download the form from www.CalSTRS.com.

Members' Rights – The Appeal Process

Any party who disagrees with a decision by the staff at any level may request review of that decision by higher authority. These rights and the procedure will be provided early in the written correspondence and may be found on the CalSTRS Web site in the FAQs section. The following is a brief description of the appeal process. It is not intended to take the place of the law or the detailed written procedures.

Requesting a Review

If you disagree with the initial decision from staff, you may request the Executive Review Committee to review this decision. The ERC, which is typically the final level

of review within CalSTRS, is made up of members of the Executive Staff, program managers and staff, the Ombudsman and General Counsel staff. The ERC reviews the situation based upon any additional information you provide, the law and facts and prepares a written analysis and decision.

Requesting a Hearing

To appeal the Executive Review Committee's decision, you may request an administrative hearing, which will be held before an independent Administrative Law Judge employed by the Office of Administrative Hearings. The request for a hearing must be made within 90 days from the date of the ERC response.

The Office of Administrative Hearings schedules the hearing, and all parties are given notice regarding the time, date and location. The hearing is a full evidentiary hearing, meaning witnesses may be called. CalSTRS may be represented by the State Attorney General or may use in-house counsel. You may be represented by an attorney or you may represent yourself. Following the hearing, the Administrative Law Judge will submit a Proposed Decision to CalSTRS. Within 30 days CalSTRS will provide all parties with a copy of the Proposed Decision.

Proposed Decision and Further Action

The Proposed Decision of the Administrative Law Judge is not the final decision. The Teachers' Retirement Board must decide whether or not to adopt the Proposed Decision within 100 days of receipt. The Teachers' Retirement Board's Appeals Committee, referred to as the Committee, has the final authority to act on behalf of the Board in these matters. When you receive your copy of the Proposed Decision you will be given the date that the Committee will act on your case, what the staff is recommending and how you may submit further written argument.

Sometimes the Committee does not adopt the Proposed Decision and orders that the matter be returned to the Administrative Law Judge for further hearing or brought back before the Committee for hearing at a later meeting based upon the record, including the transcript with or without taking additional evidence. If heard by the Committee, it will make its own independent decision after hearing arguments from both sides.

If you are dissatisfied with the Committee's decision you may ask the Committee to reconsider its decision or you may appeal to Superior Court. You will be notified of this right when you receive your copy of the Committee's decision shortly after the Committee hearing takes place.

Community Property Information

If you have been divorced or your registered domestic partnership terminated, or you are presently going through a divorce or termination, there may be a community property interest in your CalSTRS benefits. You may need to refer to your Settlement Agreement and/or contact an attorney for legal advice on how your benefits may be affected.

If the dissolution or termination judgment and the member's death occur after January 1, 2002, the *One-Time Death Benefit Recipient Designation* form, which names the former spouse or partner as the recipient, is invalid.

If you choose to have your former spouse or partner as your one-time death benefit recipient, you must submit a new *One-Time Death Benefit Recipient Designation* form after the dissolution judgment. For details, refer to the *CalSTRS Community Property Information* brochure. To order this brochure, visit www.CalSTRS.com or call 800-228-5453.

11. Teletalk Message Codes

The CalSTRS Teletalk information system provides recorded messages giving general information on a variety of CalSTRS subjects. To access the Teletalk system, call 800-228-5453 and then press 2. Teletalk calls are answered electronically 24 hours a day and you can choose topics easily via your telephone keypad as follows:

Enter: For this topic:

90 What's New

100 General Information

- 101 What is CalSTRS?
- 102 Location, telephone numbers, office hours of CalSTRS
- 103 How to obtain CalSTRS booklets and forms
- 104 How to change your address with CalSTRS
- 105 Direct Deposit
- 106 What to do in the event of a lost check or missing direct deposit payment
- 107 How to have insurance premiums deducted from your check
- 108 Spousal acknowledgment of benefit selection
- 109 Community property settlements
- 110 Medicare for active CalSTRS members
- 111 CalSTRS Home Loan Program
- 112 Which benefit coverage do I have, A or B?
- 113 Subrogation information
- 114 CalSTRS Financial Education Program
- 115 Unused sick leave
- 116 Zero-Down Preferred Home Loan Program
- 117 No Points, No Fees Home Loan Program

150 Membership, Service Credit and Contributions

- 151 Who must be a member of CalSTRS?
- 152 Can someone not mandated to CalSTRS membership elect optional membership?
- 153 What is service credit and how is it determined?
- 154 Contributions to CalSTRS: what are your costs as a member?
- 155 Employer-paid member contribution

200 Benefits Counseling

- 201 How to make an appointment for a benefits counseling interview
- 202 Benefits counseling appointment phone numbers for members in Southern California from Ventura to San Diego counties
- 203 Benefits counseling appointment phone numbers for members in the San Joaquin Valley from Kern to Calaveras counties
- 204 Benefits counseling appointment phone numbers for members in the coastal areas from Santa Barbara to Mendocino counties
- 205 Benefits counseling appointment phone numbers for members of the northern counties from Trinity to Glenn, and east to Nevada border
- 206 Benefits counseling appointment phone numbers for members of Alpine, Colusa, Mono, Sacramento, Solano and Yolo counties, and east to Nevada border

250 Purchase of Additional Service Credit and Redeposits

- 251 What is a redeposit or the purchase of additional service credit, and what types of service can be purchased?
- 252 What will it cost to purchase service credit or redeposit previously refunded contributions?
- 253 How and when is payment made for additional service credit?

254	Out-of-state service credit	374	Express benefits
255	Nonqualified service credit	375	Retirement Incentive
256	Consolidation of benefit coverages	376	Class-Size Reduction Program
300	Pre-Retirement Election of an Option	377	Benefit Enhancements
301	What is a pre-retirement election of an option and the eligibility requirements?	378	Changing option beneficiary to your spouse
302	Cancellation or change of a pre-retirement election of an option	379	Partial sum benefit
350	Service Retirement	380	CalSTRS Medicare Premium Payment Program
351	How to apply for service retirement	381	Concurrent retirement
352	Minimum eligibility for service retirement	382	Unused sick leave credit
353	Overview of Member-Only and option benefits	383	75% Beneficiary Option
354	Member-Only service retirement benefit	384	Age Restrictions and Option Selections
355	Option 2, service retirement	400	Disability Benefits
356	Option 3, service retirement	401	What is reasonable accommodation and how does it apply to you?
357	Option 4, service retirement	402	The use of independent medical or vocational evaluations
358	Option 5, service retirement	403	May I continue to work while filing my application for disability benefits?
359	100% Beneficiary Option, service retirement	420	Coverage A, Disability Allowance and Rehabilitation Program
360	50% Beneficiary Option, service retirement	421	Overview of Coverage A, the Disability Allowance Program
361	Compound Option, service retirement, multiple option election	422	How to apply for a disability benefit and eligibility requirements
362	(Alternative A) Standard Early Retirement	423	How your disability benefit is calculated
363	(Alternative B) "30 and Out" Standard Reduction	424	How much income can you earn and still receive your disability benefit?
364	Early Retirement Limited Term Reduction Plan	425	What is continued qualification for a disability benefit
366	How your service retirement benefit is calculated	426	When does your disability benefit end and your service retirement begin?
367	When you can expect your first retirement check	427	What is the CalSTRS Rehabilitation Program and how does it affect you?
368	When your service retirement benefit will be finalized	428	Eligibility requirements for dependent children
369	How to change an option after service retirement due to the death of the option beneficiary	450	Coverage B, Disability Retirement and Rehabilitation Program
370	How to change an option after service retirement due to the dissolution of marriage, annulment, or legal separation	451	Overview of Coverage B, the Disability Retirement Program
371	Service retirement after reinstatement to active status from an earlier service or disability retirement	452	Application and eligibility requirements for a disability retirement
372	Earning limitations after retirement	453	How your disability retirement is calculated
373	One-year final compensation		

- 454 Earning limitations after disability retirement
- 455 What is “continued qualification” for disability retirement?
- 456 Rehabilitation services for members on disability retirement
- 457 Eligibility requirements for dependent children
- 458 Overview of Member-Only and option benefits in the Disability Retirement Program
- 459 Member-Only disability retirement benefit
- 460 Option 2, disability retirement
- 461 Option 3, disability retirement
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- 463 Option 5, disability retirement
- 464 100% Beneficiary Option, disability retirement
- 465 50% Beneficiary Option, disability retirement
- 466 Compound Option, disability retirement
- 467 Changing an option or option beneficiary for disability retirement
- 468 Effects of workers’ compensation on disability retirement
- 469 75% Beneficiary Option
- 500 Death Benefits**
- 501 How to report a death to CalSTRS
- 502 The importance of one-time death benefit recipients
- 503 What documentation is required for payment of a one-time death benefit?
- 504 Option payee designation of a beneficiary
- 505 Defined Benefit Supplement annuity recipient designation
- 506 Defined Benefit Supplement period certain annuity beneficiary designation
- 520 Coverage A, Family Allowance Program**
- 521 Overview of Coverage A, Family Allowance Program
- 522 Benefits payable at the death of a member before service retirement or while receiving a CalSTRS disability benefit
- 523 Eligibility requirements for a family benefit
- 524 Family Allowance Death Benefits
- 550 Coverage B, Survivor Benefits**
- 551 Overview of Coverage B survivor benefits
- 552 Benefits payable at death of a member before service retirement or disability retirement
- 553 Benefits payable to an eligible spouse at death of a member before service or disability retirement.
- 554 Children’s benefits and eligibility requirements
- 555 Benefits payable at death of a member after service or disability retirement
- 600 Increases in Benefits**
- 601 Annual 2 percent cost-of-living improvement
- 602 Quarterly supplemental payments
- 603 Change in quarterly supplemental payments
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- 607 Expanded Minimum Guarantee Monthly Benefit
- 608 Defined Benefit Supplement Program
- 609 Longevity Bonus
- 650 Tax Liability**
- 651 Monthly benefit tax withholding requirements
- 652 Refunds and lump-sum distribution tax withholding requirements
- 653 How to request a duplicate or corrected 1099R Withholding Statement
- 654 When will I incur income tax liability?
- 655 IRS Code Section 415, what it means to you
- 656 1099R Information for pre-1989 retired members
- 657 Repeal of the state source tax
- 700 Refund of Contributions**
- 701 What you should know about refunds

- 702 How to request a refund of your contributions
- 703 Refund rollovers
- 750 Voluntary Investment Program**
- 751 What is CalSTRS' 403(b) Program and how does it work?
- 900 Cash Balance Benefit Program**
- 901 What is the CalSTRS Cash Balance Benefit Program?
- 902 CB Benefit Program eligibility
- 903 CB Benefit Program advantages
- 904 CB Benefit Program benefits
- 905 Participation in the CB Benefit Program

Glossary of Terms

A

Age Factor

A percentage determined by your age on the last day of the month in which your retirement becomes effective. It equals 2 percent at age 60. The factor is reduced by .001 (one one-hundredth) of 1 percent for each month or fraction of a month in which the member is under 60 but at least 55. For members seeking early retirement who are age 50, but under age 55, the factor is further reduced by $\frac{1}{4}$ of 1 percent for each month or partial month under age 55. For members over age 60, the factor is increased by 0.033 for every quarter year of age to a maximum of 2.4 percent at age 63 and over.

Air Time

See nonqualified service credit

Annual Benefit Adjustment

Automatic, annual increases to the monthly benefit, starting September 1 after the first anniversary of the effective date of the benefit. Calculated at 2 percent of the initial benefit.

Annual Statement of Account (see also Retirement Progress Report)

A statement included in your *Retirement Progress Report* is mailed directly to active and inactive members each year that provides a summary of Defined Benefit Program and Defined Benefit Supplement Program transactions during the prior year, service credit, contribution and interest balances, key provisions of the CalSTRS DB and DBS Programs and death benefit recipient information as of the previous June 30. If you have purchased additional service credit or redeposited contributions that were previously refunded, the changes will first appear on the statement of account for the fiscal year during which the final payment was made. Cash Balance Benefit Program

participants are mailed a statement of their account's contributions and accrued interest.

Annuity

Member-Only (DBS) or Participant-Only (CB) Annuity (formerly Single Life Annuity with cash): A lifetime monthly payment. Any balance remaining upon your death will be paid to your one-time death benefit recipient or recipients. *Note: This annuity was renamed Member-Only and Participant-Only Annuity on January 1, 2007.*

100% Beneficiary Annuity (formerly 100% Joint and Survivor Annuity): Provides a monthly payment for your lifetime and the lifetime of your annuity beneficiary. One hundred percent of your monthly annuity would be paid to your option beneficiary upon your death. *Note: This annuity was renamed 100% Beneficiary Annuity on January 1, 2007.*

75% Beneficiary Annuity (new annuity): Provides a monthly payment for your lifetime and the lifetime of your annuity beneficiary. Seventy-five percent of your monthly annuity would be paid to your option beneficiary upon your death.

50% Beneficiary Annuity (formerly 50% Joint and Survivor Annuity): Provides a monthly payment for your lifetime and the lifetime of your annuity beneficiary. Fifty percent of your monthly annuity would be paid to your option beneficiary upon your death. *Note: This annuity was renamed 50% Beneficiary Annuity on January 1, 2007.*

Period-Certain Annuity: A monthly payment made for any number of years from three to 10. The amount you receive is based on the number of years over which the annuity is paid; the lower the number of years, the higher the annuity. If you die before the annuity period ends, the remaining payments are paid to your one-time death benefit recipient or recipients.

B

Beneficiary

Any person or entity receiving or entitled to receive payments because of the death of a member. Only a person (not an estate, trust or corporation) may be designated to receive an option benefit upon the death of a member.

Benefit

A monthly amount payable to a retired member, disabled member or beneficiary.

Benefit Formula (Service Retirement)

For the Member-Only Benefit, multiply service credit by the age factor then by final compensation. If choosing an option, multiply the Member-Only Benefit by the appropriate option factor.

C

CalPERS

California Public Employees' Retirement System

CalSTRS

California State Teachers' Retirement System

Career Factor

For members who retire on or after January 1, 1999, with at least 30 years of earned service credit, 0.2 percent is added to the age factor up to a maximum age factor of 2.4 percent, which is reached at age 61½.

The career factor (see Section 6, Your Retirement Benefit) does not apply if the member dies before retirement without a pre-retirement election of an option on file at CalSTRS.

Cash Balance Benefit Program

Alternative CalSTRS retirement plan for educators hired to work part time. Cash Balance Benefit Program is an alternative to Social Security, private plans or the CalSTRS Defined Benefit Program.

Client ID

A randomly generated identification number assigned by CalSTRS to protect members' identity and privacy. The number is available on any correspondence from CalSTRS and on your annual *Retirement Progress Report*. It may be used to communicate with us about your account.

Concurrent Retirement

Retiring at the same time from CalSTRS and from certain other California public retirement systems (Legislators' Retirement System, Public Employees' Retirement System, San Francisco Employees' Retirement System, University of California Retirement System or those systems established under the County Employees' Retirement Law of 1937). CalSTRS may use the salaries for service performed under the other retirement system to calculate the CalSTRS retirement benefit if the service was not performed during the same pay period CalSTRS' was.

County Employees' Retirement Law of 1937

The 1937 Act law includes retirement systems from the following counties: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura. Also known as '37 Act counties.

Coverage A

The disability allowance and family allowance programs that existed on or before October 15, 1992. Coverage A is mandatory for all members of the DB Program who were receiving a disability benefit or a service retirement benefit with a benefit effective date on or before October 15, 1992. Members who were not receiving a benefit on or before October 15, 1992, were permitted to retain this coverage or elect Coverage B.

Coverage B

The disability retirement and survivor benefits programs that became effective after October 15, 1992. Coverage B is mandatory for all new members. Active members who were hired on or before October 15, 1992 may have elected this coverage.

Creditable Compensation

Salary and other remuneration payable in cash by an employer to a member for creditable service.

Creditable Service

Specific employment activities such as teaching, vocational or guidance counseling, services related to school curriculum and a variety of administrative duties performed for a school district, community college district or county superintendent of schools.

Credited Interest Rate

At the end of each fiscal year, interest is credited to the accumulated DB contributions and interest in each active and inactive member's account at the interest rate adopted by the Teachers' Retirement Board. It is currently set at a rate that approximates the yield on two-year Treasury notes.

Credited Service

Service credit for which required contributions have been paid.

D

Defined Benefit

A retirement benefit in which the benefit is guaranteed and generally based on a formula.

Defined Benefit Program

A benefit program within the State Teachers' Retirement Plan that provides retirement benefits based on a formula using age, service credit and final compensation, as well as ancillary benefits, for California's public school educators who are members of the program.

Defined Benefit Supplement Program

A supplemental benefit program with

benefits based on contributions and interest credited to individual member's accounts. Funds will come January 1, 2001, through 2010, from 25 percent of each member's monthly CalSTRS contribution and starting July 1, 2002, from compensation earned from service in one school year in excess of one year of service credit.

Defined Contribution

A retirement benefit in which the benefit is based on the contributions plus interest earnings and is not guaranteed.

Disability Allowance (Coverage A)

A feature of the Defined Benefit Program selected by and offered to individuals who became members on or before October 15, 1992, that provides income replacement for disabled members. The allowance is paid as long as the individual is disabled or until the age of 60 when the member becomes eligible for service retirement.

Disability or Disabled

A medically determinable physical or mental impairment that is permanent or that can be expected to last continuously for at least 12 months. The disability must prevent a member from performing the member's usual duties with reasonable modifications or the duties of a comparable level for which the member is qualified or can become qualified by education, training or experience. A member may apply for disability while still employed. Any impairment from a willful self-inflicted injury does not constitute a disability.

Disability Retirement (Coverage B)

A feature of the Defined Benefit Program for individuals who became members after October 15, 1992, or elected this feature during the special election held October 1992 to April 1993. Those receiving payments under Coverage B are "retired" and will be paid as long as they are disabled, without respect to age.

Disabled Member

A member to whom a disability benefit is payable.

E

Early Retirement Limited Term Reduction Program

A retirement alternative for Defined Benefit members. A member must be at least age 55, but under age 60, and have at least five years of credited service, for retirement under this alternative. The member receives one-half the monthly benefit amount calculated as if the member were age 60. The reduced benefit will continue for the same number of months after age 60 that benefits were received before age 60. After that, the normal service retirement benefit will be paid.

Earnable Compensation

Compensation a person could earn in a school year for creditable service performed on a full-time basis (also known as compensation earnable).

Earnings Limit

The amount a disabled or retired member may earn in a month without a reduction in the CalSTRS benefit.

Eligible Child

Coverage A: A member's offspring who is unmarried or not registered as a domestic partner, adopted child or stepchild under age 22 who is financially dependent upon the member on the effective date of the disability benefit or the date of the member's death.

Coverage B: A member's child, adopted child or stepchild, under 21 years of age, if financially dependent on the member on the effective date of disability retirement or the date of the member's death.

F

Family Allowance (Coverage A)

An amount paid to the surviving spouse or partner with eligible children after the member's death. The maximum amount is 90 percent of the member's final compensation; 40 percent for spouse or partner and 10 percent for each eligible child, to a maximum of five children.

Final Compensation

The highest average annual earnable compensation by a member during a specified period of CalSTRS-covered paid employment. The period is one year if the member has at least 25 years of credited service or if it is included in a written collective bargaining agreement for classroom teachers. The period is three consecutive years for members with fewer than 25 years of service credit.

Full Time

The number of days or hours of creditable service the employer requires a class of employees to perform in a school year under a collective bargaining or employment agreement to receive the earnable compensation.

H

Home Loan Program

A CalSTRS program for DB members and CB Benefit Program participants to apply for conventional, fixed-rate and first mortgage loans to purchase or refinance primary residences.

I

Indexed Final Compensation

The final compensation used to determine your disability benefits, multiplied by the Indexed Final Compensation factor, based on the year of your initial benefit.

Indexed Final Compensation Factors

Factors developed annually based on the change in the members' statewide average earnable compensation. These factors are used to calculate indexed final compensation.

L

Longevity Bonus

An increase to the monthly Member-Only retirement benefit of those who accumulate at least 30 years of service credit before January 1, 2011, regardless of when they retire.

M

Member

Any person who has performed creditable service in the Defined Benefit Program for an employer and has earned compensation for that service and has not received a refund for that service, unless specifically excluded by law.

Active Member: A member who earns creditable compensation during the school year.

Inactive Member: A member who, by the pay period ending June 30, has not earned creditable compensation during the school year.

Disabled Member: A member to whom a disability benefit is payable.

Retired Member: A member who has terminated employment and has retired for service or has retired for disability and to whom a retirement benefit is payable.

Vested Member: A member who has accrued five years of credited service to be eligible for service retirement, disability retirement or disability benefit.

Member-Only Benefit

The highest monthly benefit payable to a member retired for service or disability prior to any reduction for election of an option.

N

Nonconsecutive Final Compensation

The highest average annual earnable compensation during any period of three years of paid employment covered by CalSTRS. Available for those members who received a salary reduction due to a reduction in school funds. Upon certification from the employer, CalSTRS will use the highest three nonconsecutive school years to determine final compensation.

Nonqualified Service Credit

Service not connected to any prior specific employment.

O

One-Time Death Benefit

A one-time benefit made to the recipient(s) after a member dies.

Option

Plan feature that allows a member to distribute the retirement benefit over the lifetime of the member and another person or persons.

As of January 1, 2007, Options 2-5 are no longer available for selection.

100% Beneficiary Option (formerly Option 6): Upon the member's death, the reduced benefit will be paid to the option beneficiary for life. If the option beneficiary predeceases the retired member, the retired member's benefit will be raised to the Member-Only level. *Note: This option was renamed 100% Beneficiary Annuity on January 1, 2007.*

75% Beneficiary Option (new option as of January 1, 2007): Upon the member's death, three-quarters of the reduced benefit will be paid to the option beneficiary for life. If the option beneficiary predeceases the member, the member's benefit will be raised to the Member-Only level.

50% Beneficiary Option (formerly Option 7): Upon the member's death, one-half the reduced benefit will be paid to the option beneficiary for life. If the option beneficiary predeceases the member, the member's benefit will be raised to the Member-Only level. *Note: This option was renamed 50% Beneficiary Annuity on January 1, 2007.*

Compound Option (formerly Option 8): Upon the member's death, benefits will be paid to multiple option beneficiaries for life. The benefit paid to an individual beneficiary depends on which option was selected for that beneficiary, and what percentage of the total benefit was subject to the option and beneficiary selected. *Note: This option was renamed Compound Option on January 1, 2007.*

Option Beneficiary

The person named by a member to receive a lifetime monthly benefit after the member's death.

Option Factor

An actuarially determined factor used to calculate the amount of monthly benefit when an option is selected to provide a lifetime monthly benefit to a designated option beneficiary after the member's death.

P

Parent

A natural parent or parent who adopted the member prior to the member's attainment of 18 years of age or marriage, whichever occurs earlier.

Participant

A person who has performed creditable service subject to coverage by the Cash Balance Benefit Program and who has contributions credited under the Cash Balance Benefit Program or is receiving an annuity under the Cash Balance Benefit Program by reason of creditable service.

Post-Tax Contributions

Member contributions paid into the CalSTRS Defined Benefit Program based on creditable compensation from which federal and state income taxes have been withheld.

Projected Final Compensation

The final compensation used to determine the Disability Allowance or Family Allowance, under Coverage A, increased by 2 percent, compounded annually, to the earlier of age 60 or the date the Disability Allowance is terminated.

Projected Service

Credited service plus the service that would have been earned to age 60 (or termination of the Disability Allowance, whichever comes first) had the member continued to

work and receive service credit at the same rate as the highest of any one of the three school years immediately preceding death or the date the Disability Allowance began to accrue under Coverage A.

R

Recipient

A person or persons named by a member to receive the one-time death benefit.

Redeposit

The purchase of service credit represented by previously refunded contributions after terminating CalSTRS-covered employment. Redeposit costs include the interest the refunded amount would have earned had the funds remained in the CalSTRS account.

Reduced Workload Program

A feature under which eligible members may reduce their workload from full time to part time (a minimum of 50 percent of full time) and still receive a full year of service credit. Members may participate in this program for up to 10 years before retirement.

Refund

A distribution of all DB member post-tax contributions, tax-deferred contributions and interest credited on those contributions after a member has terminated employment with the California public school system.

Registered Domestic Partner (Partner)

A registered domestic partner has many of the same rights and responsibilities as spouses under California law — including, but not limited to, laws concerning community property, child custody and support, and access to family court for the dissolution of a partnership. To register a domestic partnership with the California Secretary of State's office you and your partner must be of the same sex, or if you and your partner are opposite sexes, one of you must be at least 62 years old.

Reinstatement

Returning to employment in a position requiring CalSTRS membership, such as a retired educator returning to the classroom in a credentialed position and terminating of a CalSTRS benefit.

Retirement Benefit

A monthly benefit paid to a member each month after retirement.

Retirement Benefit Calculation

The formula used to calculate the Member-Only amount CalSTRS members will receive each month after retiring for service. The formula is: service credit x age factor (2 percent at age 60) x final compensation = Member-Only Benefit.

Retirement Progress Report (see also Annual Statement of Account)

A brochure mailed each year to active and inactive members. It contains annual statement of accounts for Defined Benefit and Defined Benefit Supplement accounts, pension estimates (for members over 45), information on disability and survivor benefit coverage, a listing of option beneficiaries and more.

Retirement Incentive Program

A program provided by employer that would increase the service credit or age factor used in calculating the CalSTRS service retirement benefit. This program allows DB members who are eligible to retire to receive two years of service credit often called golden handshake.

Return of Member Contributions

A one-time payment of all accumulated member contributions. Payment equals the member's total contributions and interest at time of retirement, disability or death, less the sum of all monthly benefit payments received. This is payable when there are no longer any option beneficiaries or survivors who qualify for a continuing monthly benefit from the program.

S**Service Credit**

Accumulated period of time in years, including partial years, for which a member earned creditable compensation and made contributions under the Defined Benefit Program. Service credit cannot exceed 1.000 in any given school year.

Single-Month Earnings Limit (Disability Allowance, Coverage A)

The amount a disabled member may earn in any month without a reduction in the disability allowance. The member's disability allowance and employment earnings in a single month are added together and compared to the indexed final compensation for the month. Amounts in excess of the limit will be collected by CalSTRS dollar for dollar.

Six-Month Earnings Limit (Disability Allowance, Coverage A)

The member's employment earnings and disability allowance over any continuous six-month period are compared to two-thirds of the indexed final compensation. If the member exceeds this limit, the disability allowance can be terminated.

Subrogation

A process that permits CalSTRS to participate in an action to recoup expenses and legal costs when a third party causes the injury or death of a CalSTRS member before retirement and the member or family pursues civil litigation.

Supplemental Benefit Maintenance Account

The account from which payments are made to members and beneficiaries whose current benefit is worth less than a specified percent of the original benefit when adjusted for increases in the California Consumer Price Index. The percentage is currently set at 80 percent.

**Surviving Spouse or
Registered Domestic Partner**

A person who was married to a member or the registered domestic partner of a member for at least 12 months prior to the member's death. May be married or a partner fewer than 12 months if a child was born during the marriage or partnership if the surviving spouse or partner is pregnant with the member's child.

A law, effective January 1, 2004, also defines a spouse or partner as a person who was continuously married or registered to a member for fewer than 12 months prior to the accidental death of the member or for the period beginning prior to the occurrence of the injury or diagnosis of the illness that resulted in the member's death.

T

Teletalk

An automated telephone system that provides general information about a variety of CalSTRS subjects. You can also request forms, publications, duplicate 1099Rs and statements of accounts.

V

Vested Member

A member of the CalSTRS Defined Benefit Program with five years of credited service.

Voluntary Investment Program

An optional, tax-deferred 403(b) savings program that complements the CalSTRS Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs.

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myCalSTRS Keeps Me Informed

myCalSTRS is a secure, online location where you can view and update your personal account information, send and receive confidential communication and access forms and general retirement information. You can also make online updates to specific types of mailing addresses and telephone numbers.

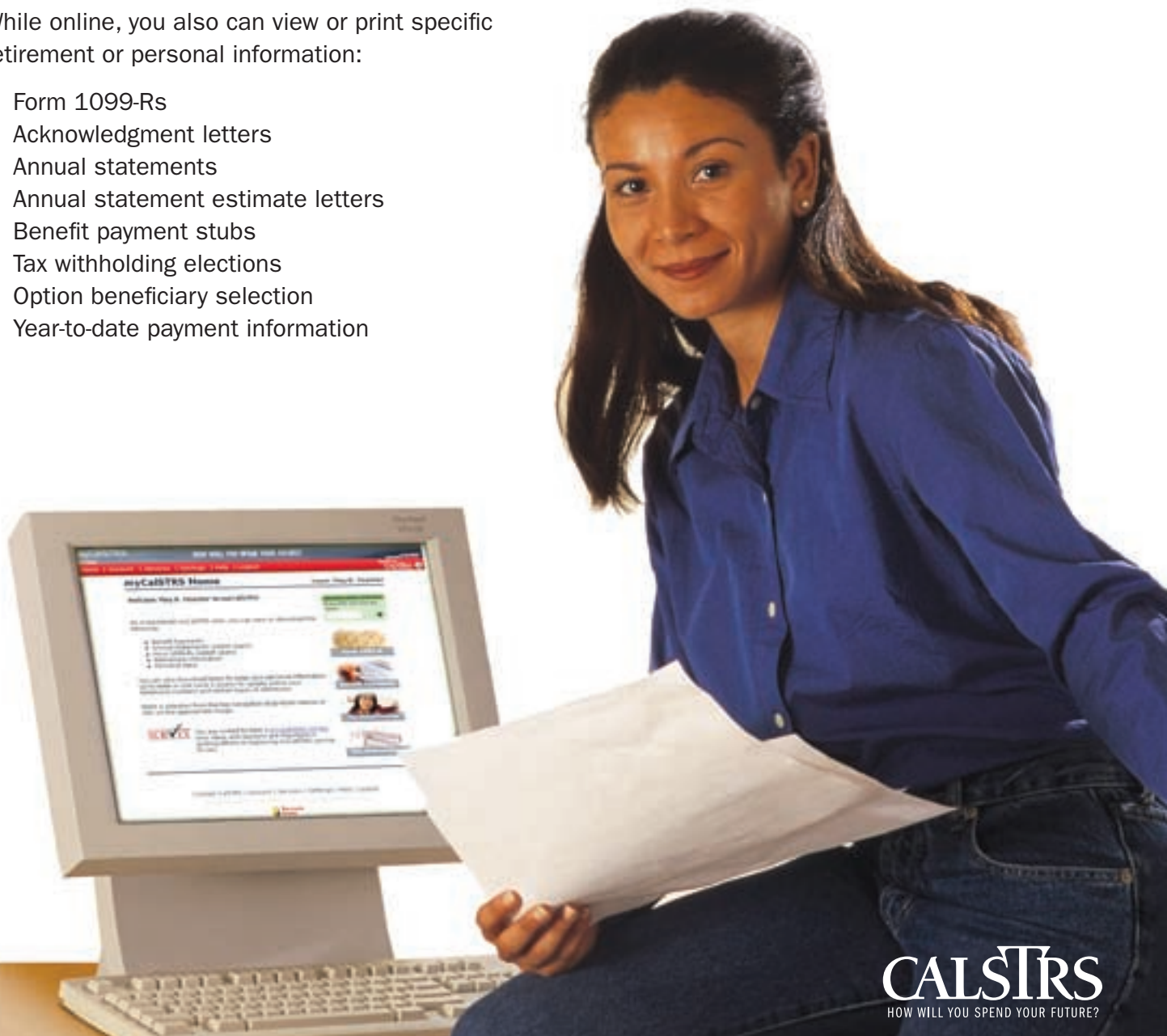
The Online Messaging feature provides registered myCalSTRS users with the ability to securely send and receive confidential information or get answers to personal account questions.

While online, you also can view or print specific retirement or personal information:

- Form 1099-Rs
- Acknowledgment letters
- Annual statements
- Annual statement estimate letters
- Benefit payment stubs
- Tax withholding elections
- Option beneficiary selection
- Year-to-date payment information

You can help guide efforts to improve your online services. Just take a few minutes to complete the six-question survey on your myCalSTRS home page.

Log in to myCalSTRS from www.CalSTRS.com. To register, click on the *Register* image and follow three easy steps. Getting answers to many of your questions about CalSTRS or your retirement account is just that easy.



CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

www.calstrs.com

Checklist for a Secure Financial Future

Less than one year of service credit

- _ Begin saving in a tax-deferred 403(b) account such as the CalSTRS Voluntary Investment Program.
- _ Submit a *One-Time Death Benefit Recipient* form.

One to five years of service credit – *You are now eligible for the CalSTRS one-time death benefit and monthly survivor benefit if you die while an active member.*

- _ Check your annual statement of account included in your *Retirement Progress Report* every year for the accuracy of your service credit.
- _ Start a file to save your annual statements and other CalSTRS forms.
- _ Attend a Demystifying CalSTRS workshop.
- _ Review your *Getting Started* member kit.

Five years of service credit – *You are now vested and are eligible to receive a lifetime monthly retirement benefit when you retire. You can now retire if you are at least 55.*

- _ Attend a CalSTRS Fundamentals workshop.
- _ Use the online Retirement Benefits Calculator at www.CalSTRS.com to estimate your retirement benefit.
- _ Consider increasing your contributions to your tax-deferred 403(b) or other savings.
- _ Develop a financial plan.
- _ Continue to check your annual statements included in your *Retirement Progress Report* for accuracy and file them with other important CalSTRS information.
- _ Review your *On Your Way* member kit.

Ten years of service credit – *It's time to plan the financial details of your career and retirement.*

- _ Attend a CalSTRS Fundamentals workshop if you have not already done so.
- _ Meet with a CalSTRS benefits counselor in person or by telephone.
- _ Review the one-time death benefit recipient designation and your service credit shown on your *Retirement Progress Report*.
- _ Update your financial plan.
- _ Increase your tax-deferred savings.
- _ Review your *Getting Closer* member kit.

Between the ages 50 and 55 with at least 30 years of service credit OR At least age 55 with at least five years of service credit – *You are eligible to retire.*

- _ Attend a CalSTRS Retirement Checkup workshop and a Retirement Income Management workshop.
- _ Get an estimate of your retirement benefit from a CalSTRS benefit counselor in person or by telephone.
- _ Submit a *Pre-Retirement Election of an Option* form to provide a lifetime monthly benefit to someone if you die before retirement, if applicable.
- _ Update your *One-Time Death Benefit Recipient* form, if necessary.
- _ Review your *Get Ready* member kit.



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