



# Cash Balance Benefit Program

A Retirement Plan for Part-Time  
and Adjunct Educators





The California State Teachers' Retirement System is governed by the Teachers' Retirement Law, available at [CalSTRS.com](https://www.calstrs.com), and other sections of state law. **If there is a conflict between the law and this booklet, the law prevails.**

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# Your Future Guaranteed by a Sound, Secure System

The California State Teachers' Retirement System is your retirement plan. Established in 1913, CalSTRS is the largest educator-only pension fund in the world. It provides retirement, disability and survivor benefits to California's public school educators and their beneficiaries.

As a part-time, substitute, adjunct or temporary educator, you can choose the CalSTRS Defined Benefit Program or an alternative retirement plan like the CalSTRS Cash Balance Benefit Program, if your employer offers the Cash Balance Benefit Program.

CalSTRS also offers a voluntary defined contribution plan called CalSTRS Pension2<sup>®</sup>, which offers 403(b), Roth 403(b), 457(b) and Roth 457(b) investment plans for additional retirement income.

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Your income in retirement is a shared responsibility between CalSTRS and you.



# Choose a Plan That Works for You

## Choose the CalSTRS Defined Benefit Program if you:

- Plan to work as a California educator long enough to be eligible for a retirement benefit (five years of service credit). This could take up to 10 years of half-time employment.
- Want a monthly benefit that provides a specific amount that is payable for life and is not based on the amount of funds in your account.
- Are comfortable with the contribution rate:
  - » For 2% at 60 members, the contribution rate is 10.25 percent.
  - » For 2% at 62 members, the contribution rate is connected with the normal cost of your retirement plan. When changes in the normal cost meet certain thresholds defined by law,

your contribution rate is adjusted. The normal cost is assessed each year based on the actuarial valuation, the snapshot of CalSTRS' financial status presented to the Teachers' Retirement Board each spring. The contribution rate for 2017–18 is 9.205 percent.

## Choose the Cash Balance Benefit Program if you:

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

### Questions to Ask

#### If your employer offers an alternative program other than the Cash Balance Benefit Program, ask:

- Do you plan to be a career educator?
- Does teaching provide supplemental income or is it your primary source of income?
- Before teaching, did you have employment that required you to pay into Social Security?
- What is the contribution rate for the plan and does your employer also make contributions?
- Is there a minimum requirement to be eligible for benefits?
- Does the plan offer a monthly retirement benefit for life, or is it a non-lifetime benefit based on contributions and interest?
- Does the plan charge administrative fees?
- Is there a guaranteed annual interest rate?
- Does the plan have a sound investment record?
- When does the plan permit distribution of your account?

## Why Add the Cash Balance Benefit Program to Your Retirement Planning?

You may have a retirement income goal, but reaching it requires many resources. The Cash Balance Benefit Program should be viewed as one facet in a multifaceted retirement plan. The plan is simple, freeing up your time and giving you peace of mind because you have secured a portion of your retirement.

The Cash Balance Benefit Program should be viewed as one facet in a multifaceted retirement plan.

Your Cash Balance Benefit account is composed of:

- A small portion of your tax-deferred compensation.
- Your employers' contributions.
- Compounded interest on your account balance.
- Occasional additional earnings credits.
- A guaranteed rate of return.



# Understand the Cash Balance Benefit Program

You have retirement planning needs that differ from those of full-time educators. We understand this and designed the Cash Balance Benefit Program with you in mind.

## Eligibility

Your district must decide formally if it will offer the Cash Balance Benefit Program as an alternative retirement program. The program may be offered exclusively or along with other retirement programs such as Social Security. Eligibility depends on your basis of employment, not the actual hours you work.

### The Cash Balance Benefit Program is available to:

- PreK–12 part-time educators who:
  - » Are employed for less than 50 percent of each full-time position.
  - » Signed a district contract for less than a 50-percent commitment.
  - » Are employed as a substitute employee.
- Community college employees who are:
  - » Adjunct or hourly faculty members hired semester to semester in a temporary capacity per assignment.
  - » Adult education instructors.
  - » Employed as substitute employees.
- Individuals who serve as trustees for an employer that offers the Cash Balance Benefit Program.







You can receive your retirement benefit as a lump-sum payment, which may be rolled over into a qualified retirement plan, or as an annuity if you have an account balance of at least \$3,500 when you retire.

## New Hires or Educators Not in the Defined Benefit Program

If you're newly hired or not a member of the Defined Benefit Program and your employer offers an alternative retirement plan in addition to the Cash Balance Benefit Program, you must formally elect a plan within 60 days of becoming employed in a CalSTRS-covered position.

If you do not make a choice, you'll automatically become a Cash Balance Benefit Program participant. If you choose an alternative retirement plan or Social Security, you can elect to switch to the Cash Balance Benefit Program at any time, as long as the program is offered by your employer and you're eligible to participate. Also, you can choose membership in the Defined Benefit Program at any time.

## Current Defined Benefit Program Members

For current Defined Benefit Program members who are eligible for the Cash Balance Benefit Program, once your district offers the Cash Balance Benefit Program, you have a 60-day election period to decide which program you prefer. If you're a part-time employee in the Defined Benefit Program and teach part time for more than one district, you can choose the Cash Balance Benefit Program with any new employer that offers it.

If you do not make a choice, you'll automatically continue with the Defined Benefit Program.

## End of Eligibility

**Your Cash Balance Benefit Program eligibility ends with your employer when any of the following occur:**

- You accept a position via written contract or employment agreement based on:
  - » A 50-percent or more time commitment of a full-time equivalent position with a preK–12 school district.
  - » The position is no longer considered temporary with a community college district.



- You work in a full-time position performing creditable service for your employer.
- You elect the Defined Benefit Program with your employer.

If you retire from the Defined Benefit Program, you cannot contribute to the Cash Balance Benefit Program.

### Your Contributions

With the Cash Balance Benefit Program, your employer contributes at least 4 percent of your salary and, generally, you also contribute 4 percent. Alternative rates may be bargained; however, the combined employer and employee contribution must be at least 8 percent. In addition, the employee contribution rate cannot be less than the employer contribution rate, starting with contracts entered into or changed on or after January 1, 2014.

You can receive a termination benefit equal to the total balance in your member and employer accounts

if you terminate creditable service. If you leave your contributions and interest in your accounts, they will continue to earn interest.

Your contributions are made on a pre-tax basis, reducing the amount of your taxable income.

### Guaranteed Interest Rate

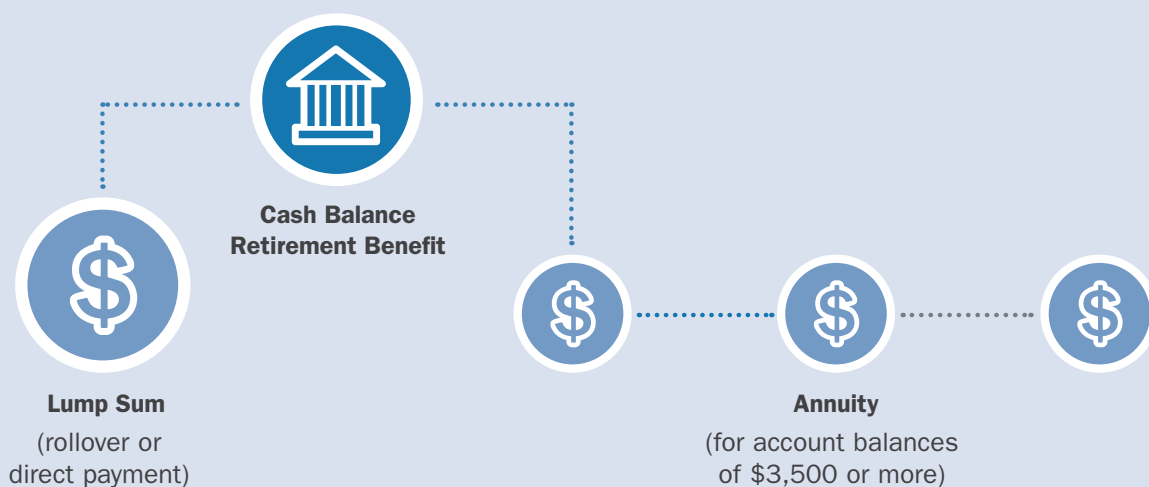
Your contributions and your employer's contributions earn a guaranteed interest rate. The rate for 2017–18 is 2.64 percent. The interest rate is set annually by the Teachers' Retirement Board and is based on the 12-month average of the 30-year U.S. Treasury rate.

At the end of each fiscal year, the board may credit your account with additional earnings credits if the actual earnings exceed the board-set interest rate.

### Rollovers Into Cash Balance

You may roll over funds from other qualified retirement plans to the Cash Balance Benefit Program, as long as the transfers meet federal and state laws.

## Cash Balance Benefit Program Retirement Benefit



## Your Retirement Benefit

You have an immediate vested right to your retirement benefit, equal to the balance of your contributions and your employers' contributions plus any compounded interest and additional credits.

## Retirement Eligibility

You may retire as early as age 55. You must terminate all CalSTRS creditable service to apply for a retirement benefit. You must take a distribution of your retirement benefit by age 70½, unless you're still working in a CalSTRS-covered position.

You can receive your retirement benefit as a lump-sum payment, which may be rolled over into a qualified retirement plan. If you have an account balance of \$3,500 or more when you retire, you may elect to receive an annuity in lieu of a lump-sum payment.

## Annuities

You can choose one of five annuities:

- Participant-Only Annuity
- 100% Beneficiary Annuity
- 75% Beneficiary Annuity
- 50% Beneficiary Annuity
- Period-Certain Annuity for three to 10 years

## Lump-Sum Payment

If you elect to receive your retirement benefit as a lump-sum payment, your benefit will not become payable until 180 calendar days after the date you terminated employment. If you return to work in a CalSTRS-covered position during this waiting period, your retirement will be canceled and you won't receive your benefit.



## Early Withdrawals

Federal law requires that CalSTRS withhold 20 percent federal income tax on all rollover-eligible payments distributed directly to you. Under state law, you can choose not to have any state tax withholding. If you choose to have state income tax withheld, CalSTRS will withhold at 2 percent. You may be subject to an additional 10 percent federal and 2.5 percent state income tax if you take an early withdrawal before age 59½ and do not roll over the funds to another eligible retirement plan.

## Working After Retirement

You may return to work in a CalSTRS-covered position to perform retired member activities, but you cannot make contributions to a CalSTRS plan.

## Separation-From-Service Requirement

If you receive your retirement benefit as a lump-sum payment, your benefit will not be payable until

180 calendar days after the date you terminated employment. If you return to work and perform retired member activities during this waiting period, your retirement will be canceled, and you won't receive your benefit.

If you receive your retirement benefit as an annuity benefit, you'll be subject to the separation-from-service requirement. If you return to work and perform retired member activities within the public school system, including substitute teaching, as an employee, an independent contractor or an employee of a third party, your annuity benefit will be reduced dollar for dollar by the amount you earn during the first 180 calendar days following your most recent retirement date, up to your benefit amount payable during that period.

There is a very narrow exemption from the separation-from-service requirement if you have reached normal retirement age, your appointment is required to fill a critically needed position, the governing body of your employer approved your appointment by resolution





at a public meeting, you did not receive any financial inducement to retire, and your termination of service was not the cause of the need to acquire your services. Your employer must submit the required documentation to CalSTRS substantiating your eligibility for the exemption. CalSTRS must receive an exemption request and required documentation before you begin working.

You can continue to receive your full CalSTRS retirement benefit, with no separation-from-service requirement, if you take a job outside of CalSTRS-covered employment. This includes work in private industry outside of the California public school system or work in private schools, public schools outside of California, and the University of California or California State University system.

### Reinstatement From Retirement

Cash Balance Benefit annuitants are not required to reinstate to perform CalSTRS-covered duties.

If you return to work and perform creditable service while receiving a Cash Balance Benefit annuity, you may voluntarily terminate your annuity and make contributions to CalSTRS. Your account will be credited with the actuarial equivalent balance as of the annuity termination date.

To terminate your Cash Balance Benefit annuity, complete the *Cash Balance Benefit Program Reinstatement After Retirement* form (CB-1102) available at [CalSTRS.com/forms](https://www.calstrs.com/forms), and submit it to CalSTRS within 60 days of employment and no earlier than six months before your annuity's effective date of termination.

When you're ready to retire again, you must reapply for retirement.

### Disability Benefit

You may apply for a disability benefit at any time. You must meet all disability benefit requirements, and CalSTRS must determine that you have a total and permanent disability. All creditable service subject to coverage by the Cash Balance Benefit and Defined Benefit programs must be terminated before receiving a disability benefit.

The benefit amount is equal to the balance of your contributions and your employers' contributions plus any compounded interest and additional credits. The benefit is distributed as a lump-sum payment, or you can choose an annuity if the balance is \$3,500 or more.





## Death Benefit

If you die before retirement, the balance of your contributions and your employers' contributions plus any compounded interest and additional credits will be paid to your designated recipient. The benefit is distributed as a lump-sum payment, or your recipient can choose an annuity if the balance is \$3,500 or more.

If you did not designate a recipient, a lump-sum payment will be paid to your estate.

## Reporting a Death

Contact CalSTRS as soon as possible to notify us of the death of a Cash Balance Benefit Program participant. You can report a death online at **CalSTRS.com/contactus** (select *Notification of Death*) or by calling **800-228-5453**.

### We will need the following information:

- Deceased person's name, Social Security number or Client ID, and address.
- Date of birth and date of death.
- Name, address and telephone number of a contact person.

## Termination Benefit (Refund)

If you end all CalSTRS creditable service subject to coverage by the Cash Balance Benefit Program and the Defined Benefit Program for any reason other than death, disability or retirement, you may apply for a Cash Balance Benefit lump-sum termination benefit. The benefit amount is equal to the balance of your contributions and your employers' contributions plus any compounded interest and additional credits as of the date the benefit is paid.

### Five-Year Rule

You may not apply for a termination benefit if fewer than five years have elapsed since the date your most recent termination benefit was distributed to you.

### Waiting Period

The termination benefit is payable six calendar months following the date you terminated employment. Your application for the termination benefit will be automatically canceled if you perform creditable service within six months following the date you terminated employment.



## Evaluate the Experiences of Other Educators



### Sarisha Makes a Choice Early in Her Career

Just starting out as a part-time third-grade teacher, Sarisha, age 28, hopes to move on to a full-time position. She knows she should save for retirement while she is young, but money is tight. Sarisha likes the security and stability that CalSTRS offers through its Defined Benefit Program. At the same time, however, it will take her many years to qualify for the Defined Benefit Program benefits. Plus, as a 2% at 62 member, she'll have to contribute 9.205 percent of her salary for 2017–18 as a member of the Defined Benefit Program.

As Sarisha researches both the Cash Balance Benefit and Defined Benefit programs, she notes that Cash Balance offers CalSTRS' sound financial history and requires a 4 percent salary contribution matched by her district.

If Sarisha attains her career goal of full-time teaching, she'll automatically become a member of the Defined Benefit Program and can choose how she'll use her Cash Balance Benefit funds. They can remain secure in her Cash Balance Benefit account, accumulating interest without fees, until she retires or terminates all creditable service, or she may purchase Defined Benefit Program service credit for eligible service covered under the Cash Balance Benefit Program if she no longer is performing service under the Cash Balance Benefit Program.

## Albert Considers a Change to Cash Balance

Albert, age 53, is an adjunct community college instructor who has been a member of the Defined Benefit Program for five years. As a 2% at 60 member, he contributes 10.25 percent of his 2017–18 creditable compensation toward his retirement. He earns just 0.4 years of service credit annually and will qualify for a monthly retirement benefit when he has five years of service credit and is eligible to retire. It will take seven-and-a-half years before he earns five years of service credit and is eligible for retirement under the Defined Benefit Program. He'd like to retire before this, but he would be eligible to receive only a lump-sum refund of his contributions and interest, not including his employers' contributions.

If, however, Albert starts a new position with a different district that offers the Cash Balance Benefit Program, and he then elects to become a Cash Balance Benefit participant, his contribution is reduced to 4 percent of his earnings and is matched by his employer. Immediately vested, Albert can maintain this contribution for five years, keep teaching at the same level, and see his investment and interest earnings grow. With at least \$3,500 in his Cash Balance Benefit account, he can choose one of five annuities, three of which are beneficiary annuities.

At retirement, Albert will receive a lump-sum benefit from his earlier Defined Benefit Program contributions, plus his monthly Cash Balance annuity payment. If he dies after choosing a beneficiary annuity, his designated beneficiary will receive a monthly payment for life.



# How Do I Know If This Is the Best Program for Me?

## Q & A About the Cash Balance Benefit Program

### Can I easily move my funds to another retirement plan?

Yes, if you quit performing creditable service or retire, you can roll over your funds into another qualified retirement plan. Or your funds can remain in your Cash Balance Benefit Program account and continue to grow, tax deferred.

### What if I begin working in a full-time position?

You automatically become a member of the Defined Benefit Program and can choose how your Cash Balance Benefit Program funds are used. The funds remain secure in your Cash Balance Benefit account, accumulating interest without fees, until you retire or terminate all creditable service. Or you can choose to convert your eligible service covered under the Cash Balance Benefit Program to Defined Benefit Program service credit. You may request a consolidation if you're a contributing Defined Benefit Program member and no longer perform service under the Cash Balance Benefit Program.

### Can I remain in the program if I'm hired by an employer who doesn't offer it?

Yes, you can keep your Cash Balance Benefit account even if you're hired by another district not offering the Cash Balance Benefit Program, but you cannot make contributions to your account from your new employment. Your contributions remain secure in your account, accumulating interest without fees, until you retire or terminate all creditable service.

### Does the Cash Balance Benefit Program affect any Social Security benefits I have earned?

If you expect to receive a Social Security benefit through other employment or your spouse, two federal rules—the Windfall Elimination Provision and the Government Pension Offset—could leave you with a smaller Social Security benefit or no benefit at all.

As a California public school educator covered under the Defined Benefit or Cash Balance Benefit programs, you do not pay into Social Security, so you will not receive a Social Security benefit for your CalSTRS-covered employment.

For more information, see the *Social Security, CalSTRS and You* fact sheet at [CalSTRS.com/publications](https://www.calstrs.com/publications) or contact the Social Security Administration at [ssa.gov](https://www.ssa.gov) or **800-772-1213**.



# Cash Balance Benefit Program Forms

To begin participating in the Cash Balance Benefit Program, fill out and submit the *Employee Notification and Election* form to your employer within the 60-day election period. Your employer will keep a copy of this document on file and mail the original to CalSTRS. If you do not formally elect a plan during this period, you'll automatically become a Cash Balance Benefit Program participant if your employer offers the program. You also may need to submit additional forms for special circumstances.

Below is a list of forms and descriptions of their purpose. Log on to your *myCalSTRS* account or go to **CalSTRS.com/forms** to download current forms.

FORM NAME	PURPOSE	WHY USE THIS FORM
<b>Required</b>		
<input type="checkbox"/> Employee Notification and Election	To elect participation in the CalSTRS Cash Balance Benefit Program if you're a part-time or temporary employee.	Ensures participation in the CalSTRS Cash Balance Benefit Program.
<b>Recommended</b>		
<input type="checkbox"/> Recipient Designation	To designate one or more living persons, or an estate, trust, charity or other entity to receive the one-time death benefit.	Confirms your death benefit wishes are recorded at CalSTRS and avoids probate for this benefit after your death.
<input type="checkbox"/> Trust as Named Recipient	To name a trust as a primary, secondary or sole recipient, or to share with your co-recipients.	Required to name a trust as recipient. You'll also need to mark the appropriate box on the <i>Recipient Designation</i> form.
<input type="checkbox"/> Certification of a Special Needs Trust	To designate an irrevocable trust that is established for an individual who is disabled as an annuity beneficiary.	Required to certify that the trust you are adding as an annuity beneficiary meets federal requirements.
<b>Special Circumstances</b>		
<input type="checkbox"/> Justification for Non-Signature of Spouse or Registered Domestic Partner	To explain why your spouse's or registered domestic partner's signature is not on forms that require it.	If you're married or registered as a domestic partner and your spouse or registered domestic partner has no community property interest, or is unable or refuses to sign forms when required.
<input type="checkbox"/> Rollover Certification	To request that CalSTRS accept a rollover to your Cash Balance Benefit Program employee account.	CalSTRS must receive a properly executed <i>Cash Balance Rollover Certification</i> form before the rollover distribution can be accepted.

# The Extras You Get With CalSTRS

As a participant in the CalSTRS Cash Balance Benefit Program, you're eligible to receive a wide range of services available to all CalSTRS members.

## CalSTRS Pension2

Pension2 is CalSTRS' voluntary defined contribution plan, which offers 403(b), Roth 403(b), 457(b) and Roth 457(b) investment plans with low fees and expenses for additional retirement savings.

You can choose an Easy Choice Portfolio—designed to match your risk tolerance with your time horizon—or build your own from more than 20 investments selected by CalSTRS. For more information, call **888-394-2060** or visit **Pension2.com**.



Find links to the Pension2 e-book, educational videos and online enrollment. Or call toll free **844-electP2** (844-353-2872).



**Pension2 E-book**  
Pension2.com



## 403bCompare

403bCompare gives you an easy and transparent resource for information on your employer's 403(b) products, including costs, performance and services. Here you will find everything you need to compare, select and start building your personal retirement savings.



**403bCompare Website**  
403bCompare.com

## Retirement Progress Report

Your *Retirement Progress Report* provides the balance of your contributions, interest and earnings credits and service credit total as of June 30 of the prior school year. Your report is posted to your *myCalSTRS* account in early September.



## CalSTRS Connections Newsletter

This twice-a-year newsletter provides information about CalSTRS programs and services, retirement and financial planning, legislative news and more. Mailed or emailed directly to you, *CalSTRS Connections* also contains information pertaining to part-time or adjunct educators.

## CalSTRS Benefits Planning

CalSTRS offers benefits planning sessions for each stage of your career. For more information, visit [CalSTRS.com/benefits-planning](https://www.calstrs.com/benefits-planning).

## CalSTRS Customer Service

CalSTRS trained staff will answer your emails, telephone calls and written inquiries. Contact us from your *myCalSTRS* account or at [CalSTRS.com/contactus](https://www.calstrs.com/contactus) or call **800-228-5453**.

## myCalSTRS

*myCalSTRS* at [myCalSTRS.com](https://www.calstrs.com) is your online resource for managing your personal information with secure and convenient access to your CalSTRS accounts and forms.

## Financial Awareness Workshops

Learn how to make smart financial decisions today about your future. You'll take home a booklet of helpful checklists and worksheets after attending each of our three financial awareness workshops:

**Save for Your Future**—Discover new ways to create a budget, understand your credit score and credit report, and more.

**Plan for Your Future**—Create an action plan for your retirement, estimate your income and expenses, and more.

**Protect Your Future**—Learn how to maximize and protect your income, reduce the risk of underestimating your expenses and choose a financial adviser.

➤ Register now at [CalSTRS.com/financial-awareness](https://www.calstrs.com/financial-awareness).

## CalSTRS.com

Find out more information about CalSTRS benefits and services, workshops, publications, videos, forms and more at [CalSTRS.com](https://www.calstrs.com).



## Social Media

Connect with us on your favorite social media.



## CalSTRS Resources

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### WEB

CalSTRS.com  
Click *Contact Us* to email  
myCalSTRS.com  
403bCompare.com  
Pension2.com

### STAY CONNECTED



### CALL

800-228-5453  
7 a.m. to 6 p.m.  
Monday through Friday  
916-414-1099  
Calls from outside the U.S.  
888-394-2060  
CalSTRS Pension2®  
Personal Wealth Plan  
855-844-2468 (toll free)  
Pension Abuse Reporting Hotline



### WRITE

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



### VISIT

Member Services  
100 Waterfront Place  
West Sacramento, CA 95605  
Find your nearest  
CalSTRS office at  
CalSTRS.com/localoffices



### FAX

916-414-5040



California State Teachers' Retirement System

COM 1522 (rev 7/17)

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