Benefits for Part-Time Educators

As a part-time educator, you have access to all the benefits CalSTRS offers and may have a choice of retirement plans. Your employer must offer the Defined Benefit Program, and may also offer an alternative retirement plan such as the Cash Balance Benefit Program or Social Security. Contact your employer to determine your plan eligibility.

Retirement Plans and Options

If you are in a certificated position in a public school and your time base is less than half time, your employer must offer you either Social Security or another retirement program as an alternative to Social Security, in addition to the Defined Benefit Program. The CalSTRS Cash Balance Benefit Program is an alternative program to Social Security.

Contact your employer for details about the programs it offers. In addition, offering the Cash Balance program may be bargained. Contact your district, county superintendent of schools or union representative to find out if the Cash Balance program is available to you.

As a part-time educator, you may choose the Defined Benefit Program at any time during your career.

Defined Benefit Program

If you choose to be a member of the Defined Benefit Program, your retirement benefit calculation uses the same components as a member who works full time:

your retirement benefit = service credit x age factor x final compensation

Your final compensation and service credit depend on the amount you would have earned if you were working full time at your pay rate in your position. This amount of work is called full-time equivalent, and the amount of compensation for the full-time equivalent is called compensation earnable.

Full-Time Equivalent

The full-time equivalent is the time that a member who is employed part time would be required to perform service in one school year if he or she were employed full time in that position. If you are employed part time in a community college or as an adult education instructor, the FTE must be identified in your collective bargaining agreement or your employment agreement. It also must be at least the minimum number of days or hours specified by law.

Be sure your employer determines your FTE properly. Different assignments, even with the same employer, may have different FTEs. Refer to your employment agreement or collective bargaining agreement for your employing district's established FTE for your type of employment. If you see a discrepancy, contact your employer.

The FTEs listed in the tables on the next page are minimum standards. Your individual FTE could be higher if your employer requires full-time employees to work more days or hours in the same activity in a school year.

Your part-time status presents special considerations for retirement planning. CalSTRS benefits counselors receive special training to help them understand your needs.

Minimum Full-Time Equivalent

If you are a:	Then the *minimum* FTE is:
Part-time community college instructor	525 instructional hours, plus mandatory office hours, if paid
Full-time or part-time community college librarian or counselor	1,050 hours
Community college instructor employed in adult education programs	875 instructional hours, plus mandatory office hours, if paid
PreK–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, Veronica 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 full-time equivalent, FTE, for that position.

	Percent Time Worked	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
Veronica would earn .900 of service credit for the year.							

Part-Time PreK–12 Teacher Service Credit

During the school year, John taught 30 percent of the FTE for preK–12 teachers in his district, or 315 hours. The full-time pay rate was $42,000. Because he worked every day of his 30-percent teaching contract, he earned $12,600 for the school year.

	Percent Time Worked	FTE	Actual Earnings	÷	Full-Time Rate	=	Service Credit Earned
PreK–12 Instructor	30% (315 hours)	1,050 hours	$12,600	÷	$42,000	=	.300
John would earn .300 of service credit for the year.							

Calculating Your Compensation Earnable

Your compensation earnable is not the salary you actually were paid, but what you would have been paid if you worked in those assignments full time based on your pay rate. To determine your compensation earnable, take the hourly or daily rate for the position and multiply it by the FTE for the position.

- **CalSTRS 2% at 62:** There is a cap on compensation that counts toward your CalSTRS retirement benefit. The cap for 2013–14 is equal to 120 percent of the 2013 Social Security wage base, which is $136,440.

Calculating Your Final Compensation

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

- **CalSTRS 2% at 62:** Your final compensation is based on your highest three consecutive school years of average annual compensation earnable, and you are not eligible for the one-year final compensation benefit enhancement.

Calculating Your Service Credit

For part-time, temporary, substitute or adjunct educators, service credit for one school year is equal to the compensation you actually earned in an assignment divided by your compensation earnable for that assignment. If you work multiple assignments, your 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.

Increasing Your Retirement Benefit

Increase Service Credit With Additional Assignments

As a part-time educator, 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. You can earn service credit for activities such as teaching summer school or intersession, working paid office hours, attending staff development days, or 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.

Consider Final Compensation If Working for Multiple Employers

When you have more than one employer or work in multiple jobs for the same employer, your final compensation is the sum of all your actual earnings divided by the sum of all your service credit earned for the school year.

Your final compensation is the average annual compensation earnable during your final compensation period, which is generally your highest consecutive three school years. If your salary rates and service credit vary within a school year for your different assignments, your final compensation may be lower, which can lower your retirement benefit. This means it's possible to earn a larger retirement benefit if you reduce the number of different jobs you work in during your final compensation period. See example calculations on the next page.

- See also "Your Defined Benefit Membership," page 23.

The way final compensation is calculated can affect your retirement benefit if you're a part-time educator working for multiple employers. Plan to meet with a CalSTRS benefits counselor at least three years before you want to retire to discuss your particular situation.

Working for Multiple Employers

EXAMPLE

In the example, Kali decided that the increase of $178 per month in his retirement benefit was significant enough to terminate 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 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 work outside the public school system in addition to teaching.

Working for Multiple Employers

Kali works part time at two high schools and a community college. He has 8.95 years of service credit. If he continues to work for all three employers during his last three years before retirement at age 63, here is how his annual compensation earnable 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 compensation earnable: **$40,173 ÷ .850 = $47,262**

To increase his retirement benefit, Kali could terminate the employment where he receives the lowest annual pay rate three years before he retires 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 compensation earnable: **$33,610 ÷ .600 = $56,017**

However, if Kali also terminates the position with the next lowest annual pay rate three years before he retires, his annual compensation earnable would be even higher.

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

Kali's annual compensation earnable: **$30,250 ÷ .500 = $60,500**

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

Works all three jobs for all three years:

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 three years before he retires:

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 three years before he retires:

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

Cash Balance Benefit Program

CalSTRS Cash Balance Benefit Program is for part-time, substitute, adjunct or temporary educators. Your district may offer the Cash Balance program as an alternative to Social Security. Your eligibility to participate in the Cash Balance program is determined by your basis of employment, rather than the actual number of hours or days you work, and whether your employer offers the program.

Your Cash Balance contributions are made through pre-tax payroll deductions. There are no fees or expenses. In addition to a retirement benefit, you're eligible for survivor and disability benefits.

The California Public Employees' Pension Reform Act of 2013 made changes to the plan structure for Cash Balance participants who are first hired to perform creditable service on or after January 1, 2013, unless they were members of a concurrent retirement system on or before December 31, 2012, and performed service in that system within six months of becoming a Cash Balance participant. For these participants:

- Salary must be paid in cash each pay period in which creditable service is performed for compensation to count toward salary for purposes of a Cash Balance benefit.
- Salary is capped at 120 percent of the 2013 Social Security wage base, as adjusted each fiscal year based on changes to the Consumer Price Index for All Urban Consumers: U.S. City Average.
- The normal retirement age is age 62.

The Cash Balance Benefit Program provides:

- **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 contributes at least 4 percent of your salary and, generally, you also pay 4 percent. Employers may bargain alternative rates; however, the combined employer and employee contribution must be at least 8 percent. In addition, the employee contribution rate cannot be less that the employer contribution rate, starting with contracts entered into or changed on or after January 1, 2014. You will receive all contributions—your own and your employer's—and interest if you terminate public school employment. However, you can leave your funds in your account and they will continue to earn interest.

  If you decide to take a refund before age 59½ and do not roll over your account to a qualified retirement plan, you may be subject to additional federal and state income taxes.
- **Secure investments**
  The Cash Balance Benefit Program investment portfolio is managed by CalSTRS.
- **Guaranteed interest rate**
  The interest rate is set annually by the Teachers' Retirement Board based on the average 30-year Treasury rate. The current rate through June 30, 2014, is 3 percent.
- **Additional earnings credit**
  At the end of the year, the board may grant an additional earnings credit to be added to your account.

Cash Balance annuitants, regardless of age, are subject to the separation-from-service requirement, also known as the zero-dollar earnings limit, if they retire on or after January 1, 2014, then return to CalSTRS-covered employment in retirement.

- **Portability**
  In most cases, you can continue to participate in the Cash Balance program if you move to another employer that offers it. You also can roll over funds from other accounts into your Cash Balance account. If you become a member of the Defined Benefit Program and are no longer contributing to the Cash Balance program, you may elect to receive credit in the Defined Benefit Program for your eligible Cash Balance service, using your Cash Balance account to pay at least some of the cost of the service credit.

- **Options if you leave teaching**
  If you leave CalSTRS-covered employment, you have two options:

  » Leave your funds on deposit with CalSTRS. The contributions in your Cash Balance account will continue to accrue interest.

  » Withdraw your funds or roll them over to another eligible retirement plan or IRA. Your refund may be taxed as income. CalSTRS is required to withhold 20 percent federal income tax on all payments distributed to you. If you choose to have state income tax withheld, CalSTRS will withhold at 2 percent. If you take a refund before age 59½ and do not roll over your funds to a qualified retirement plan, you may be subject to additional federal and state taxes.

  If you decide to withdraw your funds, you'll have to wait six months after you terminate employment. If you return to CalSTRS-covered employment within the six-month time frame, your refund will be canceled. If you withdraw your funds and return to CalSTRS-covered work, you will not be able to withdraw funds again for five years.

- **Flexibility at retirement**
  You can take your contributions and your employers' contributions, plus compounded interest, in a lump sum or choose an annuity to provide a monthly retirement benefit if your balance is $3,500 or more.

Eligibility

When you're hired by a prekindergarten–12 district, county office of education, participating charter school or community college district, your employer must inform you that as a part-time employee you can elect membership in the Defined Benefit Program. You have the option to participate in the Cash Balance Benefit Program, if your district offers it, the Defined Benefit Program, or another retirement plan your employer may offer. If you choose the Cash Balance program as a preK–12 educator, and your basis of employment changes to 50 percent or more of the full-time position or is no longer defined as a temporary position, you'll automatically become a member of the Defined Benefit Program.

If you're a community college educator and your employment changes from temporary to permanent employee, you'll automatically become a Defined Benefit member.

Working for Multiple Employers

If you're hired to perform creditable service for more than one employer, you may participate in more than one retirement program with different employers at the same time, unless you're hired in a full-time position with one employer, in which case you're a Defined Benefit member with all your employers.

Your benefits from the Defined Benefit or the Cash Balance Benefit programs will not be reduced if you receive Social Security benefits.

Social Security

Your district will offer Social Security to its part-time employees if it does not offer an alternative retirement plan. If you qualify for Social Security from any employment, including your spouse's, and you receive a benefit from CalSTRS or another retirement plan offered by your employer, your Social Security benefit may be reduced or eliminated under two federal provisions.

The federal Social Security rules are complex. To learn more, contact Social Security at 800-772-1213 or visit socialsecurity.gov for publications on the Windfall Elimination Provision (reduction in your Social Security benefits) and the Government Pension Offset (reduction in your spousal Social Security benefits).

See "Your Retirement Benefit and Social Security," page 49.

Consolidating Your Cash Balance and Defined Benefit Coverage

If you have benefit coverage under both the Defined Benefit and the Cash Balance Benefit programs, you may be able to consolidate your benefit coverage under the Defined Benefit Program. To be eligible, you must:

- Currently be making contributions under the Defined Benefit Program.
- No longer be contributing to your Cash Balance account.
- Have eligible Cash Balance service to convert.
- Have funds in your Cash Balance account.

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

In most cases, your Cash Balance contributions and interest will not cover the full cost of all eligible Cash Balance service you performed because the contribution rate to buy Defined Benefit permissive service credit is significantly higher than the Cash Balance contribution rate. You may use other retirement or personal funds to cover the remaining cost of your eligible Cash Balance service.

If you have more funds in your Cash Balance account than are required to cover the cost of your eligible service—perhaps your account includes funds that were rolled over from another retirement plan or you had past overtime service under the Cash Balance Benefit Program—you must specify how you would like CalSTRS to allocate the amount remaining in your Cash Balance account after funds are transferred to cover the cost of consolidating benefits.

You may use the remaining amount to redeposit previously withdrawn contributions in the Defined Benefit Program or use it to pay for additional service that you may be eligible to purchase. Any funds remaining in your account can be transferred to your Defined Benefit Supplement account and your Cash Balance account will be closed.

To consolidate your Cash Balance benefit coverage under the Defined Benefit Program, complete the Cash Balance Request to Consolidate Benefits Package, available at CalSTRS.com.

Advantages of consolidating your benefits:

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

CalSTRS 2% at 62: You are not eligible for the career factor and one-year final compensation benefit enhancements.

Choosing a Plan That Works for You

As a part-time, adjunct or temporary employee, you have a choice of retirement plans. Your employer must offer the CalSTRS Defined Benefit Program and either Social Security or an alternative to Social Security, including the CalSTRS Cash Balance Benefit Program or another program chosen by the district. Contact your employer to determine your plan eligibility.

Changing Retirement Plans?

If you were first hired to perform CalSTRS creditable activities before January 1, 2013, and were covered under a different retirement system, including Social Security, you would be under the CalSTRS 2% at 60 benefit structure.

Things to Consider

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 up to 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 that's not based on the amount of funds in your account.
- Are comfortable contributing 8 percent of your pay toward your retirement.

Choose the Cash Balance Benefit Program if you:

- Want a 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 earnings, depending on your local bargaining agreement. Your contribution and your employer's contribution must equal at least 8 percent. Employers must contribute at least 4 percent, and the participant contribution rate cannot be less than the employer contribution rate, starting with contracts entered into or changed on or after January 1, 2014.

Questions to Ask

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

- 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?