

Cash Balance Benefit Program

Los Angeles Community College
District

Social Security Special Election



History

- Recent legislation provides Cash Balance (CB) Benefit Program participants a one-time election period to change from CB to Social Security
- Election period
 - March 1, 2008 through May 1, 2008
- Election must be made on CalSTRS Form CB 533
- Election choice is effective July 1, 2008

Considerations

- Multiple employers
 - Cash Balance
 - Social Security
 - Other Alternative Retirement Plan
 - Defined Benefit Program
- Vesting
 - CB – DB - SS
- Guaranteed Benefit
- CB compounded interest rate 5.25%
- Windfall Elimination Provision and Government Pension Offset

Features & Benefits



Immediate Vesting

No Service Credit Needed

Features & Benefits



Assets managed by CalSTRS

Secure history

Features & Benefits



Set annual interest rate

Market fluctuation protection

Features & Benefits



Matched contributions
3.75% You & 4.25% LACCD

Maximizes your investment

Features & Benefits



Portability

May rollover to IRA or other
qualified plan

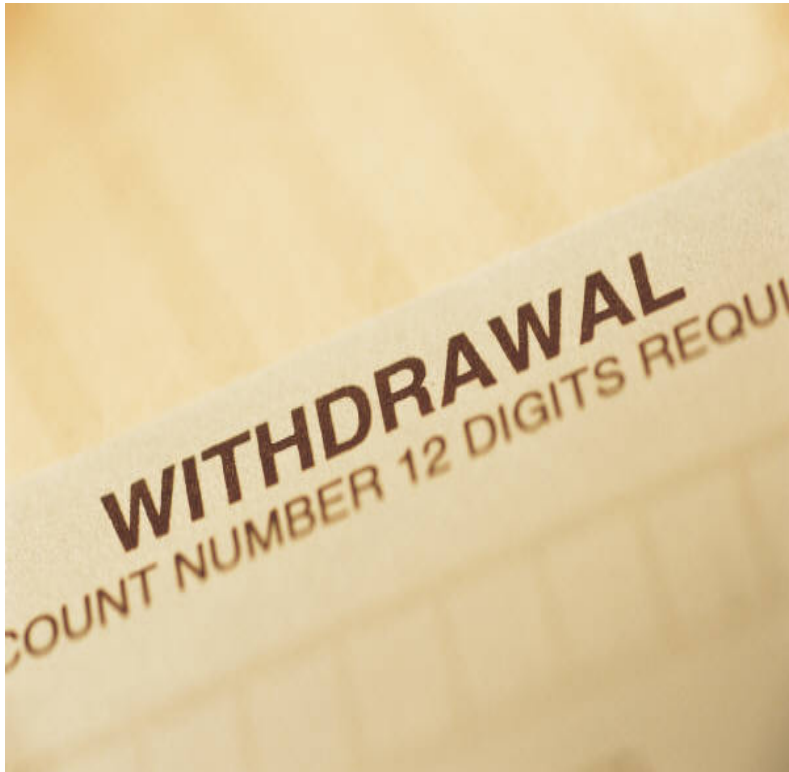
Features & Benefits



Flexibility at retirement

Choices to fit your lifestyle

Features & Benefits



Payroll deduction

Convenient and easy



Advantages

Advantages

- No program fees
No added or hidden costs
- Pre-tax dollar
Increased investment
May decrease tax liability
- 2.45% savings over Social Security
CB 3.75% vs. SS 6.2%
- 4.25% savings over Defined Benefit Program
CB 3.75% vs. DB 8%
- Additional earnings & annuity credit
CalSTRS' Board approved additional earnings credits for 97-98, 98-99 and 06-07 fiscal years

Termination Benefit (Refund)

- ✓ Terminate all creditable CalSTRS service
- ✓ Lump-sum benefit payable six months following termination of all CalSTRS creditable service
- ✓ May apply for early distribution once in 5 years



Retirement Eligibility

Retirement Eligibility

- ✓ May retire as early as age 55
- ✓ Terminate all creditable service
- ✓ Must commence distribution of retirement benefit by age $70\frac{1}{2}$ unless still working

Retirement Benefit

Lump-sum benefit equal to balance of participant's account, or; May choose one of five annuities if participant's balance is \$3,500 or more

Annuities
Participant-Only Annuity
100% Beneficiary Annuity
75% Beneficiary Annuity
50% Beneficiary Annuity
Period-Certain Annuity



Disability Eligibility

Disability Eligibility

- ✓ May apply at any time
- ✓ Must terminate all creditable service
- ✓ CalSTRS determines through medical documentation if disability is total and permanent

Disability Benefit

Lump-sum benefit equal to balance of participant's account,
or; May choose one of five annuities if participant's balance
is \$3,500 or more

Annuities
Participant-Only Annuity
100% Beneficiary Annuity
75% Beneficiary Annuity
50% Beneficiary Annuity
Period-Certain Annuity



Death Benefits

Death Benefits

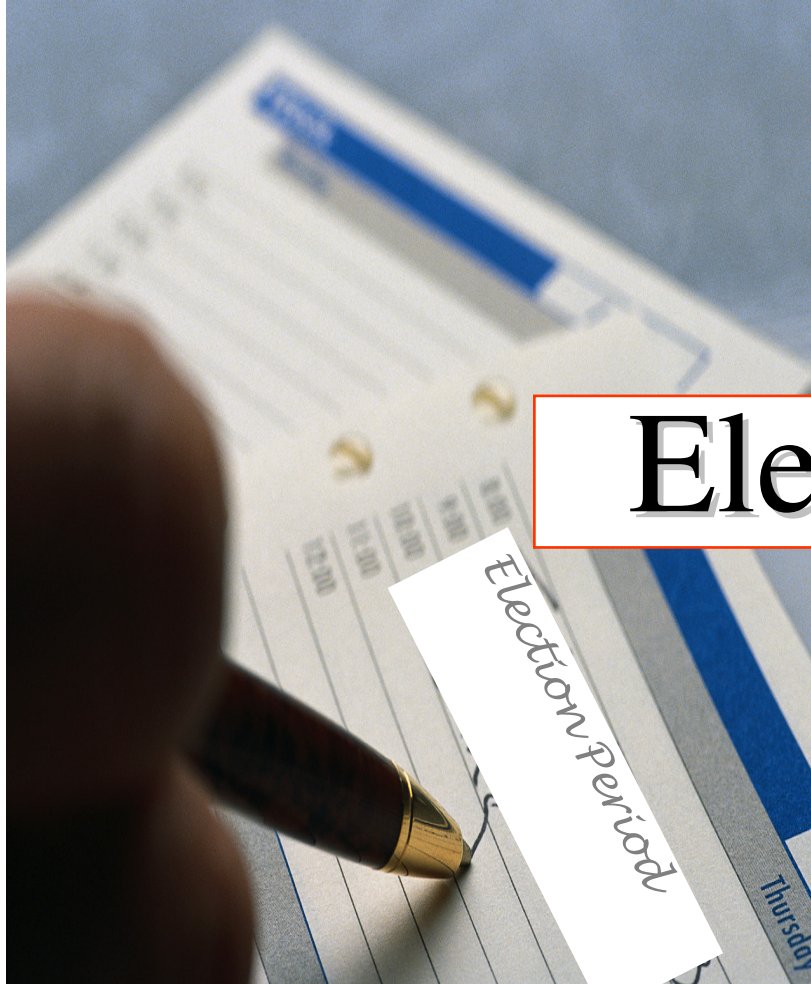
– Members not retired or disabled

- ✓ Balance of participant's account payable to beneficiary
- ✓ If there is a least \$3,500 in the account, the beneficiary may elect a period certain annuity
- ✓ May designate one or more beneficiaries
 - Person, Trust, or Estate
- ✓ If no named beneficiary, lump-sum benefit payable to Estate

Death Benefits

– Members retired or disabled

- Benefit payable in accordance with form of annuity elected by participant



Election Period

Election Period




March 1, 2008 through May 1, 2008

Decision must be made on CalSTRS
CB Form 533

Choice effective July 1, 2008

Allowable future changes

Changes allowed by law after the special election period

CB		DB
SS		CB
SS		DB

Considerations

Windfall Elimination Provision (WEP)

Applies to a person who earned and receives a government pension from service not covered by Social Security

Applies to privately managed government pensions such as PARS

Social Security will annuitize lump-sum payments to apply to WEP

Considerations

Windfall Elimination Provision (WEP)

Currently capped at \$340 a month or no more than $\frac{1}{2}$ of pension benefit

Offset is reduced by 20 or more years of “substantial earnings”

Considerations

Windfall Elimination Provision (WEP) Examples

Both examples assume:

No Social Security contributions

Cash Balance monthly income: \$180

Considerations

Windfall Elimination Provision (WEP) Example

Adjunct Sally

30 years old

Pays into SS until age 67

SS Benefit: \$1,500

No WEP impact

Net SS Benefit: \$1,500

Considerations

Windfall Elimination Provision (WEP) Example

Adjunct Steve

50 years old

Pays into SS until age 67

SS Benefit: \$1,500

WEP: \$90

Net SS Benefit: \$1,410

Considerations

Government Pension Offset (GPO)

Assessed on the spouse/survivor benefit

Benefit reduced by $\frac{2}{3}$ of pension amount

Applies to an earned pension

Considerations

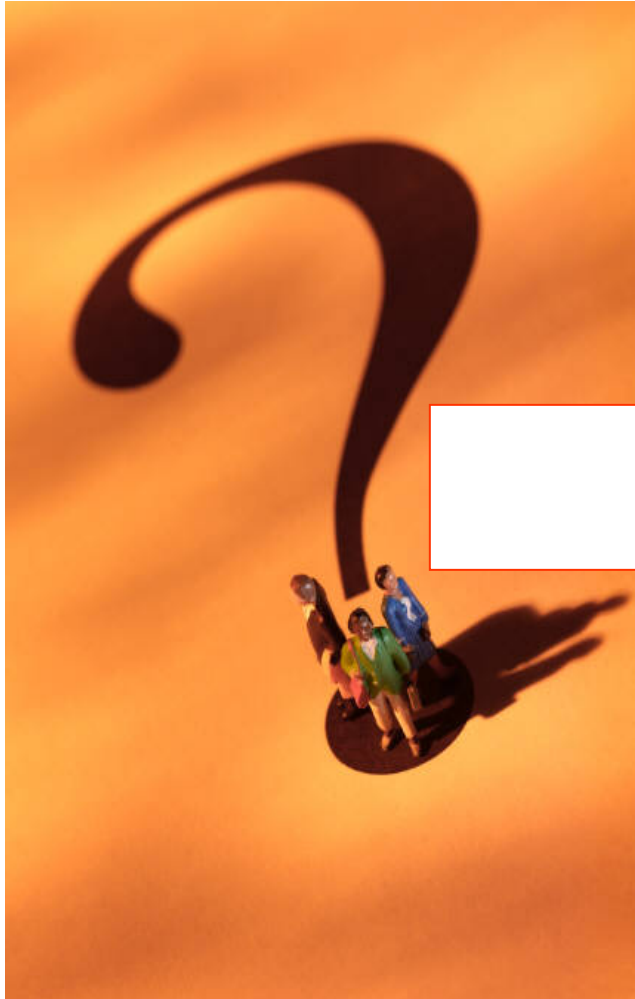
Government Pension Offset (GPO) Example

Spouse/Survivor Benefit: \$750 Cash Balance Benefit: \$180

GPO: -\$120

2/3 of \$180 CB Benefit

Net Spouse/Survivor Benefit: \$630



Questions

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