

No Social Security for Many CalSTRS is Teachers' Sole Retirement

Many retired public school teachers receive no Social Security benefits for their income from teaching. For them, CalSTRS is their only source of retirement income. The Teachers' Retirement Law was enacted in California in 1913, before the Social Security program was created.

- California's public educators made the decision in 1955 to remain excluded from the Social Security program, primarily because CalSTRS benefits were better.
- Teachers do not pay into Social Security for CalSTRS covered employment, so they aren't entitled to Social Security benefits for that service.

CalSTRS members are the largest single group of state and local government employees who do not participate in Social Security. Teachers in 14 other states do not contribute to Social Security.

Other Employment Cuts Social Security

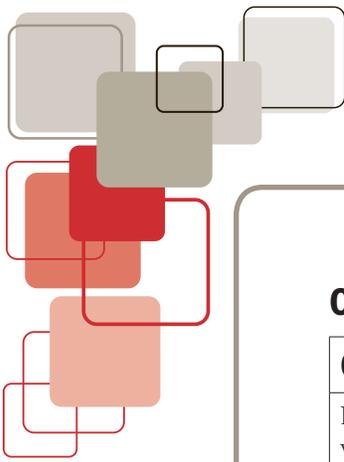
- Some public school teachers work at other jobs, like a non-teaching career or part-time employment where they pay Social Security taxes. They are eligible for Social Security benefits for this work, but the benefit may be reduced by the Windfall Elimination Provision (WEP).
- Other teachers are eligible for Social Security benefits as the spouse or widow/widower of a worker who was covered by Social Security, but the benefit is reduced or eliminated by the Government Pension Offset (GPO).

WEP and GPO reduce or eliminate the Social Security benefit, not the CalSTRS benefit.

Federal Rules Penalize Teachers Who Are Covered by Social Security

WEP eliminates a perceived advantage that CalSTRS members have because they were placed in a category of the low-wage worker who receives a higher benefit. GPO offsets benefits if there is a pension based on employment not covered by Social Security.

Windfall Elimination Provision	Government Pension Offset
May reduce a member's Social Security benefit from non-CalSTRS employment	May completely eliminate a member's spousal and widow/widower Social Security benefits
Reduces first part of the three-tiered Social Security formula	Reduces benefit by up to 2/3 of CalSTRS pension
For example, a 62-year-old CalSTRS member retiring in 2007 may expect up to a \$321 reduction in Social Security benefits because of WEP.	For example, at age 62, a retired CalSTRS member receives a \$1,500 CalSTRS benefit and expects a \$750 Social Security pension from a spouse who died. GPO's 2/3 reduction completely eliminates the member's Social Security benefit in this case.



CalSTRS Differs from Social Security

CalSTRS Pension	Social Security
Beneficiaries are California public educators who earn creditable service	Beneficiaries include all private and some public workers who pay into Social Security
A pre-funded system enhanced by investment earnings	A pay-as-you-go system with no investment earnings
Lifetime benefit based on a specific formula	Benefit based on a complex three-tiered formula
A California defined benefit earned by virtue of employment with the specific entity that agrees to provide benefits in exchange for the services of the employee	A federal insurance program that represents a promise from the federal government to provide a basic benefit in retirement
Worker contributes 8 percent of salary	Worker contributes 6.2 percent of salary
Minimum retirement age is 50 with 30 years of service or 55 with 5 years of service	Minimum retirement age is 62 for a reduced benefit Full retirement age is 65-67 for a maximum benefit

What is Social Security?

Social Security is a federal insurance program to provide supplemental retirement and disability benefits to those who participate. Workers and employers are taxed 6.2 percent of payroll. All private sector employment is covered by Social Security. More than 75 percent of public sector workers participate in Social Security plus a state or local government pension system.

A 62-year old who earns the U.S. average of \$34,000 expects to receive a Social Security benefit that would replace about 41 percent of pay after 35 years paying Social Security taxes.

CalSTRS Benefit Recipient at a Glance

Among the 181,833 members who receive a pension benefit:

- Median Pension: \$2,432
- Median Service Years: 28
- Median Age at Retirement: 60
- Median Pension Replaces: 53 percent of salary
- 64 percent are women
 - » Of those, 58 percent are unmarried
- 62 percent of members 65 and older do not receive health care coverage from employers

CalSTRS Takes Action

- Educates members about Social Security on CalSTRS Website and at workshops
- Makes Medicare Part A (hospital care) payments to eligible members
- Supports federal legislation to eliminate or modify GPO and WEP
- Provides the opportunity to invest in a personal retirement savings plan to supplement pension benefits

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