



National Life  
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# Save for a Better Tomorrow

UNDERSTANDING HOW YOUR STATE PENSION  
PLAN WORKS



California

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## ESTABLISH A CLEAR PICTURE

One of the most important, but often overlooked steps in preparing for retirement is to visualize what you want it to look like and to prioritize your life goals.

- What is my retirement date?
- Calculate how much income you need to live during retirement.
- Create a retirement income strategy that incorporates all of your anticipated sources of retirement income.

Experts say you'll need 70% to 80% of your pre-retirement income to cover expenses each year in retirement.<sup>1</sup>

Are you one of the...

**44%** of Americans who worry they'll never be able to retire – an all-time high.<sup>2</sup>

**23%** of Americans who don't have any kind of retirement plan.<sup>3</sup>

**25%** of Americans in their 60s who could not last more than 3 months off of their savings – an all-time high.<sup>3</sup>

## Picture Your Retirement

One of the most important, but often overlooked steps in preparing for retirement is to visualize what you want it to look like and to prioritize your life goals.

## Build Towards Your Goals

### Estimate your total retirement income

It's fine to use a percentage of your current income as a benchmark, but it's worth going through all of your current expenses in detail. Your next step is to assess how prepared you are to meet your needs over time as you transition to retirement.

### What sources of retirement income will be available to you?

- Lifetime income: annuities, social security and pensions
- Savings: IRAs, CDs
- Earnings: full or part-time job
- Other assets: real estate and equity in your home

### One of the biggest concerns retirees have is running out of money.

There's no way to predict how long you'll actually live, but with life expectancies on the rise, it's probably best to assume you'll live longer than you expect. And, you may even run the risk of outliving your savings and other income sources.

## Plan To Live Longer Than You Think

When you reach age 65...your lifespan could look like this:



65 Year-old  
Male



65 Year-old  
Female

Age	Probability	Age	Probability
70	91%	70	94.2%
75	79%	75	85.52%
85	43%	85	55.13%
95	7.29%	95	13.93%

Source: Social Security Administration, Period Life Table, 2022

# 49%

of workers fear outliving their savings/investments.<sup>1</sup>

# 38%

of Americans fail to save because they have too many other expenses.<sup>1</sup>

# 58%

of Americans rated their retirement savings' adequacy C or lower.<sup>1</sup>

# YOUR STATE PENSION PLAN

Your state recognizes the importance of planning for a successful retirement and is dedicated to providing the highest quality service necessary to assist members in achieving their goals. Your state pension benefits, when combined with other income, are designed to provide you with the basis for financial security during your retirement years.

Let's take a closer look at the eligibility requirements, options, and benefits of your state pension plan.

## Retirement Plan

First and foremost, the retirement foundation for district employees is their state retirement system. The California State Teachers Retirement System's (CalSTRS) primary responsibility is to provide retirement benefits and services to teachers in public schools and community colleges. Having a good understanding of how your state pension works and the benefits it can provide is essential to your retirement well being. The unfunded liability and budget shortfalls in state retirement plans are forcing states to take a hard look at the benefits being offered to plan participants. Be sure to monitor your CalSTRS benefits for any changes. This overview is designed to explain the Retirement System as it applies to most participants. Go to the CalSTRS website at [www.CalSTRS.com](http://www.CalSTRS.com) for more information.

## How the Plan Works

CalSTRS benefits are based on your age and years of service under CalSTRS. Eligibility for a full lifetime retirement benefit is based on when you joined CALSTRS:

### CalSTRS 2% at 60 members

(Hired prior to January 1, 2013)

- Age 50 with 30 years of service  
(not available if hired after 12/31/2012), or
- Age 55 with at least five years of service

### CalSTRS 2% at 62 members

(Hired on or after January 1, 2013)

- Age 55 with at least five years of service

Your monthly CalSTRS benefit is calculated by:

1. Determining the Age Factor
2. Multiply by total service credit
3. Multiply by Final Average Compensation
4. Divide annual payment by 12 to get monthly payment

## Age Factor Table CalSTRS 2%@60 (expressed as percentages)

For participants hired prior to January 1, 2013

	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. Source: *CalSTRS Member Handbook*, 2019

## Age Factor Table CalSTRS 2%@62 (expressed as percentages)

For participants on or after January 1, 2013

	Months											
	0	1	2	3	4	5	6	7	8	9	10	11
65	2.400	2.400	2.400	2.400	2.400	2.400	2.400	2.400	2.400	2.400	2.400	2.400
64	2.267	2.267	2.267	2.300	2.300	2.300	2.333	2.333	2.333	2.367	2.367	2.367
63	2.133	2.133	2.133	2.167	2.167	2.167	2.200	2.200	2.200	2.233	2.233	2.233
62	2.000	2.000	2.000	2.033	2.033	2.033	2.067	2.067	2.067	2.100	2.100	2.100
61	1.880	1.890	1.900	1.910	1.920	1.930	1.940	1.950	1.960	1.970	1.980	1.990
60	1.760	1.770	1.780	1.790	1.800	1.810	1.820	1.830	1.840	1.850	1.860	1.870
59	1.640	1.650	1.660	1.670	1.680	1.690	1.700	1.710	1.720	1.730	1.740	1.750
58	1.520	1.530	1.540	1.550	1.560	1.570	1.580	1.590	1.600	1.610	1.620	1.630
57	1.400	1.410	1.420	1.430	1.440	1.450	1.460	1.470	1.480	1.490	1.500	1.510
56	1.280	1.290	1.300	1.310	1.320	1.330	1.340	1.350	1.360	1.370	1.380	1.390
55	1.160	1.170	1.180	1.190	1.200	1.210	1.220	1.230	1.240	1.250	1.260	1.270

Source: *CalSTRS Member Handbook*, 2019



# YOUR STATE PENSION PLAN

## Your CalSTRS Plan

### Determining Age Factor

Your age factor is based on your actual age at retirement. For CalSTRS 2% at 60 members, the age factor is 2% at age 60 and is reduced if retiring before 60 and increased if over 60 at retirement up to a maximum of 2.4%.

For CalSTRS 2% at 62 members, the age factor is 2% at age 62 and is reduced if retiring before age 62 and increase if over 62 at retirement up to a maximum of 2.4%. Please see [www.CalSTRS.com](http://www.CalSTRS.com) for hired after 12/31/2012 chart.

### Determining Total Service Credit

One year of service credit is earned for each year you receive creditable compensation. If you did not receive creditable compensation for the full year, partial credit is given. Additional service credit is earned for work done outside of your normal position. These activities include summer school and intersession teaching, yearbook editor, science club advisor, band director and attending staff development days. You can monitor your accrued years of service through the Retirement Progress Report provided by CalSTRS.

Additional service credit is given for unused sick leave and is calculated at retirement. The sick leave credit cannot be used to meet retirement eligibility requirements. However, for 2% at 60 members, up to two-tenths of one year unused sick leave can be used to be eligible for the 30 year career factor or 25 year threshold for using highest one year compensation.

### Determining Final Compensation

If you were hired prior to 12/31/2012 (2% at 60 members only) and retire with 25 or more years of service, your highest one year compensation is used.

If you have under 25 years of service or were hired after 12/31/2012, final compensation is based on highest 36 consecutive months. Compensation used to calculate pensions is limited to 120% of the Social Security wage base for 2013. This Cap is adjusted annually based on the CPIS for participants hired after 12/31/2012.

#### Example (participant hired prior to 12/31/2012):

A participant, retiring at age 60 with 29 years of service, electing the standard payout option. Participant's salary in year preceding retirement is \$59,825.

#### Sample Calculation:

#### Your Worksheet:

1. Determine age factor from table at age 60. The age factor is 2%.	_____ (AF)
.....	
2. Multiply age factor by years of service	_____ (YOS)
	X _____ (AF)
29 (years of service) X 2% (age factor) = 58%	= _____
.....	
3. Calculate monthly payout	\$ _____ (OYS)
59,825 (highest one year salary) X 58% (payout factor) = 34,698/12 = \$2,891 per month	X _____ % = \$ _____ /12 = \$ _____ per month

*For illustrative purposes only.*

This is a 42%  
reduction of income  
per month from  
what is being  
earned today!

# YOUR STATE PENSION PLAN

## Benefit Enhancements

Participants may qualify for certain benefit enhancements that will increase the monthly benefit.

- Career Factor (for 2% at 60 members only)  
A 0.2% factor will be added to age factor if you retire with 30 or more years of service up to the maximum factor of 2.4%
- Longevity Bonus  
Set dollar amount added to monthly benefit if you had 30 years of service on or before 12/31/2010.
  - 30 years – \$200
  - 31 years – \$300
  - 32 years – \$400

## Payment Options

CalSTRS provides five different payout options from which you can choose. These options allow you to choose to receive payments for your life only, or for you and your spouse's lives. The options are as follows:

- Member Only Benefit – level payments for life
- 100% Beneficiary Option
- 75% Beneficiary Option
- 50% Beneficiary Option
- Compound Option – designate multiple beneficiaries to receive a survivorship benefit

## Payment increases

Current state law calls for an automatic benefit increase equal to 2% of your initial benefit (non-compounded). The California Legislature can reduce or eliminate this benefit for new and existing members, even those already retired, if economic conditions dictate.

Payments may also be increased to maintain purchasing power. If the purchasing power of your initial benefit falls below 85% of the initial benefit, a one year supplement will be paid. Additionally the state Legislature may grant ad hoc or one time permanent increases to monthly benefits.

## Partial Lump Sum Option

No longer available as of January 1, 2011.

## Buying years of service

Program participants have the option to purchase additional service credit. Permissive credit can be bought for the years specific service has been performed in the past. Types of service include (but are not limited to) creditable service before becoming a CalSTRS member, employer approved sabbatical, certain military duty prior to 1994, employer approved leave covered under federal Family Medical Leave Act. Please see CalSTRS Member Handbook for full listing.

## Defined Benefit Supplement Program

Many participants will have additional money available to supplement the CalSTRS benefit from the Defined Benefit Supplement Program. From January 1, 2001 to December 1, 2010 one fourth of the monthly contribution was contributed to the Defined Benefit Supplement Program. Contributions from earnings from more than one year of service credit and special pay will continue to go into the program.

At retirement, the options for this money are dependent on how much money is in the program. If there is less than \$3,500, it is distributed as a lump sum that is either paid to the participant or rolled into a qualified plan. If it is over \$3,500, it can be distributed as a lump sum or converted to a series of payments ranging from a period certain to life expectancy with survivorship options.



## You Have Questions, We Have Answers

Your representative is available to assist you in reaching your retirement dreams and to answer any questions you may have, like:

### What retirement benefits will I get?

You can obtain a personalized retirement benefit estimate by going to your online account. Your representative will use this information to help you see your overall retirement income picture and to identify any gap between your estimated retirement funds and your savings needs.

### How much can I contribute to a supplemental retirement account?

The amount you can contribute to a retirement account depends on your earnings, your age, and other factors. Your representative will determine your appropriate contribution limit and can set up a customized savings program that works for you.

### What happens if I change jobs?

You have control of your supplemental retirement account. The portability feature allows you to roll over the funds in this account into another retirement plan you may have. Or, you can leave your account in place and any balance has the potential to continue to grow tax-deferred.

### What if I need money before I retire?

Your plan may contain provisions for loans and hardship distributions, and you may access your funds if you meet certain conditions. Taking an early distribution from your account should be considered carefully since taxes and fees may be imposed.

### What product is right for me?

Your financial professional will determine which of the many savings vehicles are appropriate for meeting your current situation and future needs.



## Make Savings Your Top Priority

- 1 Are you saving enough for your tomorrow?
- 2 Will your retirement money outlive you?
- 3 What percentage of your final salary will you be living on?
- 4 Do You Have a Retirement Gap? Is there a gap between the amount you've saved for retirement and the amount that you want and need?

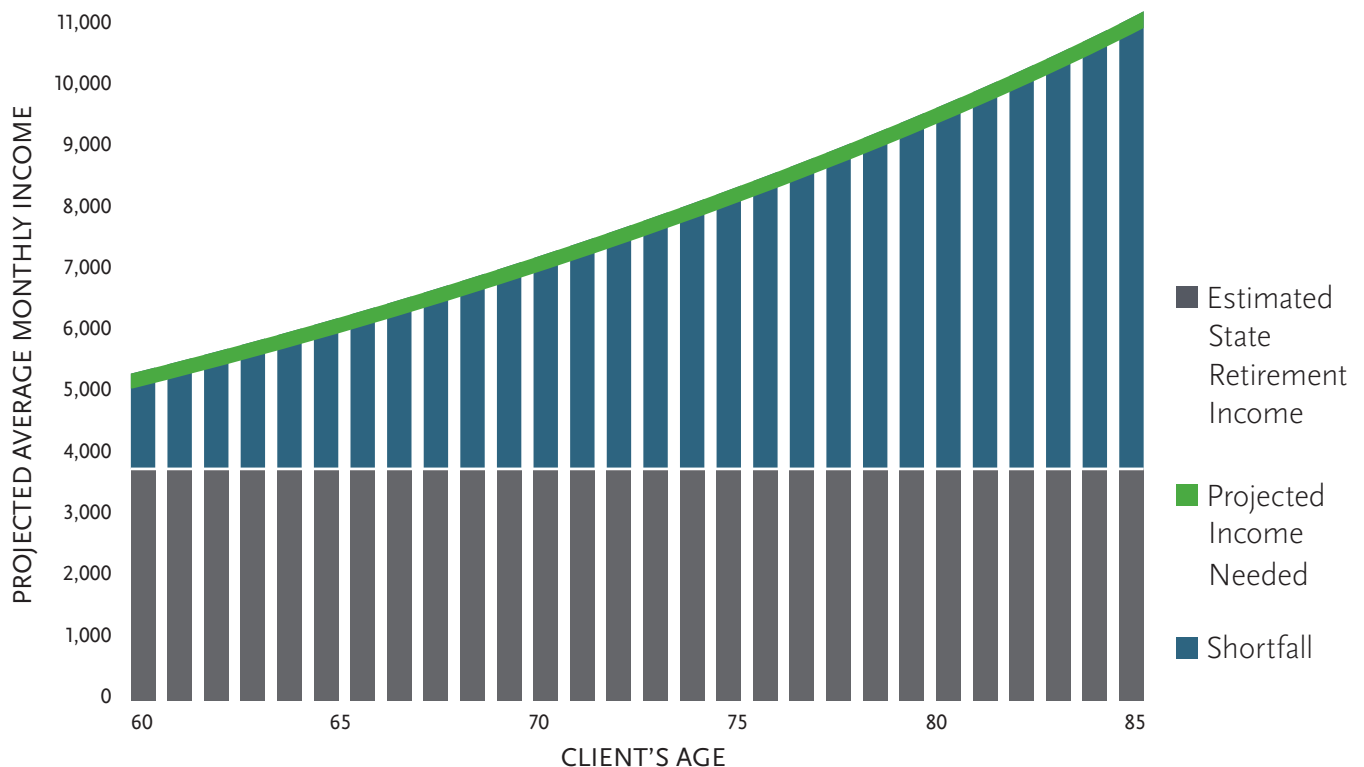
**Step One:** Evaluate how much money you would need in order to retire at the age you desire and live the lifestyle you want.

**Step Two:** If there is a gap between your predicted needs and your predicted savings (and most people do have a gap), determine what you can do to get more money into your retirement savings. That's generally going to happen in two ways: save more or create a savings strategy geared toward your earnings goal.

Identifying the amount you're short is the first step in fixing the problem.

## Sample Gap Analysis Report – Prepared for Valued Policy Owner

### Retirement Years



Source: The Retirement Analysis Kit (TRAK) Software by TrustBuilders, Inc. 2012 Version. [www.tbinc.com](http://www.tbinc.com). For illustrative purposes only.



## ACT...

You have gathered information about retirement. You have taken the time to evaluate your needs. You are now ready for an action plan! With the efforts you have made over the years, you will deserve to fully enjoy what life has to offer.

### Accumulating funds for retirement can sometimes seem impossible.

**First, find simple ways to save. Small contributions to your retirement plan can add up to big savings over time.**

		In 20 years you'd have	In 30 years you'd have	In 40 years you'd have
<b>\$5</b> (7/month)  Lottery Ticket	<b>\$35</b> per month	<b>\$13,506</b>	<b>\$25,437</b>	<b>\$43,099</b>
<b>\$3.45</b> (30/month)  Specialty Coffee	<b>\$105</b> per month	<b>\$38,328</b>	<b>\$72,189</b>	<b>\$122,311</b>
<b>\$4.95</b> (30/month)  Take-Out Lunch	<b>\$150</b> per month	<b>\$54,754</b>	<b>\$103,127</b>	<b>\$174,729</b>

This is a hypothetical example for illustrative purposes only – not representative of any particular investment. All figures assume a 4% annual rate of return compounded monthly and do not include any matching contributions made by an employer which are available in some qualified retirement plans.

### Make Savings Your Top Priority

#### Save Regularly.

Make sure to set up systematic payroll contributions to help get you closer to your goals. You not only defer taxes on the money you contribute, any earnings on your savings also have the potential to compound tax deferred until withdrawal.

Ensuring you have enough income to support the retirement you envision requires an ongoing plan that you put in place well before you retire.

Here is a pre-tax savings example for you:

	Post-tax	Pre-tax
Gross Income per Paycheck	\$4,500	\$4,500
Pre-tax contributions	\$0	\$266.66
Standard tax deductions	\$686.33	\$619.67
Post-tax retirement contributions	\$200	\$0
Take-home pay	\$3,613.67	\$3,613.67

This hypothetical example is for illustrative purposes only. This example is based on a teacher claiming single and zero allowances and in the 25% tax bracket not considering state or local taxes. Taxes are due at time withdrawals are made from your plan.

A person wearing a blue long-sleeved shirt is seen from the side, looking out over a city skyline. The background is a blurred view of a city with a prominent bridge and buildings under a hazy sky. A green horizontal band is overlaid on the image, containing the text "DREAM, PLAN, ACT," in white capital letters.

# DREAM, PLAN, ACT,

Call your financial professional today!





ENJOY...



## Make Savings Your Top Priority

What's your tomorrow?

Do you dream about being able to pursue hobbies?

Is there a dream vacation you have always envisioned?

- 1 Follow your dreams...
- 2 Now is the time to put your retirement income strategy in place
- 3 Experience the financial security and retirement lifestyle you have always dreamed of.

We can help you get there...We are the right choice for retirement income.

National Life Group offers excellent 403(b) annuities through Life Insurance Company of the Southwest. We have helped thousands of people working in the education field save money for their futures.

## DID YOU KNOW...

indexed annuities offer protection, safety, guarantees and income?

### Our flexible fixed indexed annuities provide safety, guarantees and income for life and allow you to:

- Contribute to your employer sponsored savings plan with the peace of mind that the money will be there when you need it.
- Receive a guaranteed<sup>4</sup> stream of income for life without giving up control of your money.
- Leave any balance in your annuity to your loved ones.

Your retirement dreams are just that: yours. Follow them. Make them happen. Talk to your financial professional today.



1 Saving for Retirement: The Quest for Success, Investopedia (February 2023)

2 Retirement Confidence Index, January 2021, SimplyWise (January 2021)

3 This is the No. 1 Fear of Americans Facing Retirement, 401KSpecialist (January 2021)

4 Guarantees are dependent on the claims paying ability of the issuing company.

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