

# ADVOMTA CATE

The logo for the California Teachers Association (CTA) is a red oval containing the letters 'CTA' in white, with a small white graduation cap icon above the letter 'A'.

**Ontario-Montclair Teachers Association**

417 West "E" Street, Ontario, CA 91762 (909) 986-2414

The logo for the National Education Association (NEA) is the lowercase letters 'nea' in a stylized, lowercase font.

September 2011

## **COULD YOU LIVE ON JUST OVER HALF OF YOUR TEACHING SALARY? WHAT WOULD RETIREMENT BE LIKE ON LESS THAN TWO-THIRDS OF YOUR INCOME?**

It sounds scary, but in fact, it's reality for educators who are counting on CalSTRS or CalPERS as their sole retirement plan. Consider these facts:

60%-65% = Percentage of salary the California State Teachers Retirement System (CalSTRS) pension replaces, on average, for current and retired members.\*

\$0 = Amount CalSTRS participants can expect in the form of federal Social Security benefits. (Please note that educators participating in the California Public Employees' Retirement System (CalPERS) do pay Social Security taxes and are eligible to receive benefits. In addition, CalSTRS participants may be eligible for Social Security benefits from a spouse's earnings or earnings from other jobs, but those benefits may be reduced by the Windfall Elimination Provision (or Government Pension Offset.)

90%- 100% = Percentage of salary financial experts recommend replacing in retirement to maintain same standard of living as your working years.

30%-40% = Percentage of CTA members who take advantage of a 403(b) retirement savings plan to supplement their pension plan.

The bottom line: The majority of educators are facing a retirement savings shortfall. That's why you need a 403(b) or 457 plan – to make up the difference. Let's take a closer look at these sources of retirement income:

CalSTRS and CalPERS state pension funds. Your pension, or defined benefit plan, is an important part of your retirement savings. These retirement systems continue to provide a key benefit to educators. Your benefit is based on your age at retirement, years of service and final compensation level. You can run the numbers and estimate your benefit level by using the calculators on your pension's Web site: [www.calpers.ca.gov](http://www.calpers.ca.gov).

Social Security. Educators with a CalSTRS pension do not pay Social Security taxes. They contribute a greater percentage of pay into the pension fund instead, and therefore are generally not eligible for Social Security benefits. (They may qualify for benefits earned through another job, although those benefits may be reduced due to the Windfall Elimination Provision. For more information, visit: <http://www.ssa.gov/pubs/10045.html>)

Educators and school employees with a CalPERS pension pay 6.2% of salary for Social Security and generally qualify for Social Security benefits. Educators are often confused or mistaken about what they will collect from Social Security in retirement. If you are eligible for Social Security benefits, you should receive an annual statement in the mail with an estimate of your projected benefit from the Social Security Administration.

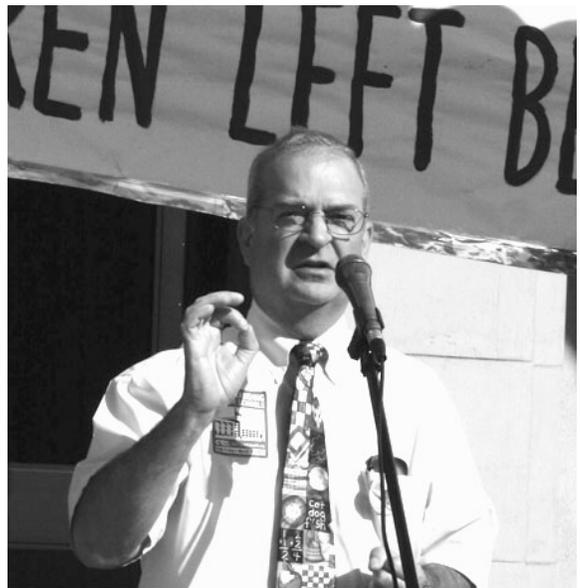
403(b) and 457 plans. The 403(b) is a tax-deferred retirement plan available for eligible employees of public schools and other tax-exempt organizations. A 457 plan is available for eligible employees of public schools and government workers. They are called defined contribution plans, because the participant makes contributions and investment decisions. It is different than your pension or defined benefit plan through CalSTRS or CalPERS, where you and your employer make contributions and CalSTRS or CalPERS make all of the investment decisions. Ultimately, you are in control of your 403(b) or 457 plan.

The 403(b) or 457 plan is designed with features to help you make the most of your retirement savings. In 2010, you can contribute up to \$16,500, or an additional \$5,500 (total of \$22,000) if you are age 50 or better. If you're a long-term employee who has not consistently contributed to your plan, you may also be eligible to make lifetime catch-up contributions.

\* Source: CalSTRS Policy Report, November 2007.

## FROM YOUR PRESIDENT

*Rick McClure*



Consider this the Retirement Advocate. This issue has articles taken from the CTA website about the current state of STRS, what all of you should do to prepare for retirement, and how to supplement your STRS retirement. Everyone, not just those of us a few years from retirement, should be concerned about all of these issues --so please take a few moments to read these articles. In the article about supplementing your retirement income, the subject of 457 plans is raised. OMSD has an excellent 457 plan that all employees can take advantage of. It has several advantages over 403(b) plans (known to many of you as TSAs), not the least of which are much lower fees. The typical fees in a 403(b) plan can be over 2% of your plan assets each year. In the 457 plan, they are less than 1% and some of the investment options are as low as .5%. Over many years, that difference can amount to tens of thousands of dollars. Another significant difference in the plans is that 457 plans allow for early withdrawals (usually any withdrawal before age 59.5) without the 12.5% penalty charged by the IRS and the State of California. You can learn more about the OMSD 457 plan and get an enrollment kit by contacting payroll.

Another word on retirement. I'm sure all of you have read or heard about politicians and others attacking the retirement plans of public employees. As you will learn after reading this issue, CALSTRS is healthy; and while it IS currently underfunded, that issue can be fixed pretty simply. Its biggest problem is the crash of financial markets that have caused all of our other economic problems over the last few years. Be assured that CTA will vigorously fight any attempts to gut our retirement programs. I've been reading in the news about teachers around the country cheating on the high-stakes tests they give their students. It came to my attention recently that many of you are literally teaching to our district benchmark tests. If you were doing this on the STAR you might lose your job, but there is no such penalty for doing this on district benchmarks. As I understand it, usually under the direction of your principals, you take actual benchmark questions, change them slightly (i.e. Jose has a 5 plates of cookies with 10 cookies each, gets changed to Jose has 4 plate of cookies with 8 cookies each), and then teach them. This is, no doubt, a reaction to the high-stress environment created by the high-stakes tests we have to live with (as evidenced by the "crisis mode" one grade level was told they were in at a school that had finished last district-wide on one benchmark assessment). It seems to me, though, that this defeats the entire purpose of benchmark assessments, which should be to tell us what the students have learned, what we've taught well, what we need to improve on, and more importantly what we need to re-teach to our students. Unfortunately some principals view benchmark tests as a way to demonstrate to the district office that they're doing a good job.

What I'm much more concerned about, though, are reports of such techniques being used during STAR testing. Apparently it's become practice at some schools to remind students to use their "strategies" during testing time. This is sometimes accompanied by a tap on the shoulder or arm. I don't know if the state, upon learning teachers were doing this, would consider it cheating, but they certainly could. Reminding students to use their "strategies" is not very far removed from pointing to a question and saying, "are you sure?" I do know it's certainly not worth putting your credential at risk. I have one piece of advice for any teacher or school doing this. **DON'T DO IT.**

## WHAT TO DO BEFORE RETIREMENT

Are you age 55 or older? Do you have someone you would like to ensure a lifetime income to in the event of your death? If so, you should schedule an appointment with a CalSTRS Counselor. Below is information from the CalSTRS website explaining why you should not delay in making an appointment.

### Electing an Option before retirement

If you are eligible to retire, you may make a pre-retirement election of an option. This election is available if you do not yet wish to retire but want to ensure a monthly retirement income to another person if you die before retirement. The monthly benefit paid to your beneficiary is based on the modified benefit that would have been paid if you had retired as of the date of death. At retirement, your benefit will be modified under the selected option.

The examples illustrate two members, one who chooses an option before retirement and another who waits until retirement to choose an option.

<b>Member Chooses Pre-Retirement Election of an Option</b>	<b>Member Does Not Choose Pre-Retirement Election of an Option</b>
<ul style="list-style-type: none"><li>• Member retires at age 60</li><li>• Option 2 beneficiary is also age 60</li><li>• Both member and option beneficiary were age 55 when pre-retirement option was chosen</li></ul>	<ul style="list-style-type: none"><li>• Member retires at age 60</li><li>• Option 2 beneficiary is also age 60</li><li>• A pre-retirement election of an option was not made</li><li>• Member elects option at time of retirement</li></ul>
Member-Only Benefit = \$1,963.89	Member-Only Benefit = \$1,963.89
x Percentage Payable x .892 (Option Table 2)	x Percentage Payable x .866 (Option Table 2)
Member's Modified Benefit = \$1,751.79	Member's Modified Benefit = \$1,700.73

The member in the first example has provided a lifetime monthly benefit to a beneficiary even if the member should die before retirement. Although the benefit will be reduced at retirement, the modified benefit will be slightly higher than it would have been if the member had waited until retirement to choose an option, since the pre-retirement election of an option allows the use of the younger member and beneficiary ages.

If you haven't made an appointment to meet with a CalSTRS Counselor yet, and the above applies to you, schedule one today. You can get a phone number for CalSTRS Counselors from the OMTA office or the district HR office.

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## THE TRUTH ABOUT YOUR RETIREMENT THROUGH CALSTRS

**MYTH:** The retirement fund is a taxpayer giveaway.

**FACT:** Over the life of their careers, teachers contribute 8% of their monthly pay to their retirement. Employers kick in another 8.25% of monthly pay, the state contributes just over 2% (which previously was 4.6% but was reduced a decade ago), and the returns garnered by CalSTRS investments do the rest.

**MYTH:** Teachers engage in pension 'spiking'

**FACT:** CalSTRS is vigilant in preventing spiking. All extra compensation for teachers over and above their normal salary gets put into a separate account that cannot be used towards their final retirement salary.

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## THE TRUTH ABOUT YOUR RETIREMENT

**MYTH:** Teachers retire too early and into a life of luxury.

**FACT:** The average benefit payment is \$3,300 per month while the number of years a teacher works for those benefits averages 27.

**MYTH:** The CalSTRS system is headed toward insolvency.

**FACT:** While it is true that CalSTRS has a \$40 billion shortfall, this is not an amount that is paid overnight. Just like a mortgage, this is an amount that will need to be closed over 30 years, not in the first month's payment. Even under current economic conditions, CalSTRS has sufficient assets and projected contributions to pay benefits until 2044.

**MYTH:** CalSTRS suffers from a lack of accountability and oversight.

**FACT:** CalSTRS has received national recognition for its ethical standards. The system has a long history of accountability and transparency. In fact, the ethical standards of CalSTRS has become a national model for board accountability.

**MYTH:** Our state would be better off financially without having to contribute to teachers' retirement benefits.

**FACT:** The state benefits economically from teachers' retirement benefits. In fact, \$4.5 billion in value is added to the state's economy each year from generated business activity from retirement benefits. Entire counties depend on that retirement income.

**OMTA**  
**Executive Board Meeting**  
**October 3rd**  
**Rep Council Meeting**  
**October 24th**

**OMSD**  
**School Board Meetings**  
**October 6th & 20th**  
**7 pm at Central Language**  
**Academy**

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**Melody Kelly**

Office Manager  
**Cindy Newey**  
[officemanager@myomta.org](mailto:officemanager@myomta.org)

Advocate Design  
**Dann Dunst**

Advocate Editor  
**MaryKay Scheid**

OMTA Office  
**417 West "E" Street**  
**Ontario, CA 91762**  
**Tel: (909) 986-2414**  
**Fax: (909) 983-0585**  
**E-Mail:**  
[President@myomta.org](mailto:President@myomta.org)