Members of the California State Teachers’ Retirement System (CalSTRS) start out with a range of emotions when they attend their individual benefits counseling sessions offered by the fund.

Many are anxious about retiring while others are somewhat confident their retirement benefits and savings will afford them a comfortable retirement, counselors say. Most share the same feeling after talking with the counselor—relief.

“That big sigh of relief that they now understand the CalSTRS benefit is always something that’s great to hear,” said Kevin Dunn, one of the fund’s 50 counselors. Followups show that they appreciate the level of service they’ve received, he said.

“It’s a big change in life to go from working to retirement and, although it might be a happy time, it’s also a time of great change,” added Gina Eversley, who recently was promoted to training manager in the counseling program after eight years as a counselor. “By the end of the session, there’s a sense of relief. I’ve received many hugs. I’ve even had members ask if they could take a picture with me.”

“The most rewarding part is making a difference for a group that gives so much to our kids,” Eversley said. “It’s the best job in the world.”

The fund’s benefit counselors conduct 35,000 to 40,000 individual counseling sessions annually, usually with members who are within five to ten years of retirement.

That personal attention is not typical among other retirement systems, particularly when one considers that CalSTRS is the second largest public pension fund in the United States with assets totaling $165.9 billion and more than 860,000 active and inactive members and beneficiaries, said Ed Derman, CalSTRS deputy chief executive officer of plan design and communication.

“We have a higher level of personalized interaction with our members,” Derman said. “It’s much more of a high-touch kind of approach than probably most systems have.”

The benefits counseling program is an important element of fulfilling the CalSTRS mission, Derman said. “Our mission is to secure their future; it isn’t just to pay benefits. So we could pay benefits and not provide them with any counseling, but it wouldn’t be accomplishing this larger objective. I think because of the way we’ve defined our mission, it’s a logical thing for us to do.”

With that mission in mind, CalSTRS has begun retooling the counseling program in order to reach more members at a younger age. Changes in the benefits structure that shift more of the responsibility for saving for retirement to members’ shoulders as well as increasing complexity are part of the reason for the changes, CalSTRS officials said.

CalSTRS is now directing those not on the verge of retirement away from the individual sessions and instead to group sessions, allowing the fund to stretch limited resources across more members, said Andrew Roth, director of client outreach and guidance at CalSTRS.

Other recent changes include:

• CalSTRS has opened member service centers in Glendale, Santa Clara and at CalSTRS headquarters in West Sacramento. A fourth center is expected to open in Orange County in June 2014.

Ed Derman
CalSTRS Deputy Chief Executive Officer of Plan Design and Communication
This means the centers can set their own schedules rather than following county office schedules and so are more accessible to members.

- Many contracted benefits counseling employees who typically were county employees and part-time have been replaced with full-time CalSTRS employees to improve quality control.
- The fund is retooling its retirement income management workshop to focus on financial literacy and making wise and safe investment decisions.
- The CalSTRS on Campus program, which brings counselors to worksites, is being revamped to improve engagement with younger members.

More than 13,000 CalSTRS members retired after the 2011-2012 school year alone. The system expects 10,000 to 12,000 retirements annually for about the next ten years as the baby boom generation ages, compared to 6,000 to 7,000 annual retirements that occurred prior to 2001.

The surge in retirements coincides with changes in benefit levels and complexity of the plan, making it even more important to reach younger members and ensure that all members make informed choices, Roth said.

"We’re trying to infuse some financial literacy skills into our educational offerings because we find that today’s financial world is very complicated, and there are a lot of decisions that members are going to have to make as they move through retirement," Roth said.

CalSTRS has a hybrid system, which includes a defined benefit pension, a defined benefit supplement program and a defined contribution plan called Pension2. The defined benefit supplement program started in 2001 and is a cash-balance plan funded by employee and employer contributions for additional duties such as coaching and overtime. Pension2 is a voluntary program and allows members to save additional money for retirement through a 403(b) or 457 plan.

The CalSTRS benefit structure also changed as a result of the California Public Employees’ Pension Reform Act of 2013. Under the new structure, newer members must work longer to achieve maximum benefits. The fund also is telling newer members that they can expect the CalSTRS benefit to replace 45% to 50% of their working income compared to 55% to 60% previously, Roth said.

Other important issues are the government pension offset and the windfall elimination provision that affect Social Security benefits for CalSTRS members. CalSTRS members do not pay into Social Security. If they made Social Security contributions while working in a nonteaching job, their Social Security benefits would likely be reduced in retirement because of the windfall elimination program. The government pension offset reduces Social Security benefits for those CalSTRS members who expect to receive Social Security benefits as a spouse, widow or widower.

The likelihood of reduced or no Social Security benefits means most members need to supplement their CalSTRS benefits with their own savings, CalSTRS officials said.

Questions about Social Security are among the most frequently asked during Dunn’s individual counseling sessions, while Eversley has noticed a decline in those questions with increased publicity. Both counselors said questions about health insurance are common, but CalSTRS does not provide health benefits, so members are directed to consult with their individual employers.

Eversley’s most common questions are “Will I have enough to retire?” or “How soon can I retire?”

Andrew Roth
CalSTRS Director of Client Outreach and Guidance
The counselors are not allowed to make direct recommendations or provide financial advice but rather focus on providing as much information as possible so members can make informed decisions.

They address a wide range of topics in a session, including an estimate of the member’s retirement benefit and details of the fund’s defined benefit supplement account.

Counselors provide more detail on ways members can increase retirement benefits, whether it’s by working longer or purchasing service credits if they’re eligible. Dunn usually provides a brief overview of the 80% rule to help prospective retirees think about how much income they’ll need in retirement and provides an overview of the Pension2.

Eversley has observed a mix of retirement goals and levels of preparedness among the educators she counsels. Some plan to transition into another field while others anticipate a more traditional full-time retirement. Still others decide to delay retirement and perhaps seek some financial advice after they realize they’ll need to save more and won’t have health care benefits in retirement.

Some teachers are already working with a financial advisor; others have done no planning.

Dunn, who leads three group counseling sessions weekly—typically two-hour sessions with seven to ten people—said those in attendance receive the same information they would in an individual appointment while benefiting from group interaction. “Quite often we have questions from one member that another member had not considered before, and you can see the light bulb go off in their head, and it initiates a great discussion,” he said. “The note taking is fast and furious. We’ve seen it become a big plus.”

In addition to directing more members to the group counseling sessions, CalSTRS also has used technology to improve service levels.

The fund produced a series of videos posted on its website and on YouTube covering topics such as the Social Security issue, preretirement election options and the supplemental defined benefit account. More are in production, and CalSTRS promotes them through social media tools. Counselors also use the videos during counseling sessions.

Members also can complete some activities, such as ordering forms, online.

“I think we see a transition of people using more and more technology, so there may be less need for bricks and mortar. We’re moving our members to do more self-service—not that we’re not going to be there to provide them with the personalized service that they need,” Derman said. “I expect that we will always have that personal touch—it’s just that the personal touch may be more targeted in terms of how we utilize that one on one, face-to-face time.”

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