Teachers Are Better Off With a Pension Than a 401(k)

By Jack Ehnes, CalSTRS CEO

The CalSTRS defined benefit pension rewards California’s teachers with a modest and secure retirement. However, a few recent studies have questioned the fairness of defined benefit pensions for teachers. These studies suggest that a large percentage of new teachers drop out early and don’t stay long enough to collect full pension benefits. They conclude that an account-based system, such as a 401(k) or a cash balance plan, would be more fair.

Actually, most classroom teaching positions in California are not occupied by those who leave after a few years, but by those who stay long term. A recent study from the UC Berkeley Center for Labor Research and Education, titled Are Teachers Better Off With a Pension or a 401(k)?, analyzed teacher turnover patterns to project the number of years each teacher will work by the time he or she retires from California schools. The research found that 75 percent of teachers will spend 20 years or more in the classroom before retiring in their early 60s.

Correspondingly, the Berkeley research study found that 86 percent of California teachers are better off with a CalSTRS defined benefit pension than with an optimal 401(k) plan. It also showed that 79 percent of California teachers are better off compared to a generous cash balance plan in which the employer guarantees 7 percent interest on contributions.

In a 401(k) plan, retirement income can fluctuate unpredictably with financial market conditions, and a wholesale switch to this type of account-based system would sharply reduce the retirement income security of teachers. However, for teachers who work at least five years, the CalSTRS defined benefit pension provides guaranteed retirement income.

Pensions provide the primary source of retirement income security for educators, most of whom do not receive Social Security. Overall, the CalSTRS defined benefit pension—which is designed to reward teachers who stay for the long term—is better suited to meet the future retirement needs of California’s teachers than 401(k) or cash balance plans.
CalSTRS is pleased to release our 2014–15 Sustainability Report: Fostering a Secure Future, which documents a framework to ensure the long-term viability of CalSTRS as a sustainable organization.

The second annual sustainability report was prepared in accordance with the Global Reporting Initiative’s G4 framework—a reporting framework that incorporates stakeholder engagement and feedback into prioritization of report content and organizational performance.

Staff used input from internal and external surveys, as well as from focus groups, to both prioritize stakeholder concern for the material issues and establish direction for CalSTRS’ strategic planning. Seven material topics identified through the stakeholder process are discussed as they relate to the organization’s focus, events and performance over the year. Those topics include:

**Member Services and Engagement:** Learn about our retirement readiness efforts and the results of our member satisfaction and engagement survey.

**Ethics and Transparency:** Find out what CalSTRS does to discourage unethical trading practices within our Investment Branch and with money managers.

**Information Security and Customer Privacy:** Read about the important steps CalSTRS is taking to protect sensitive member information.

**Defined Benefit Plan Funding:** Learn about the process improvements that have been made to reduce inappropriate pension enhancements, otherwise known as pension spiking.

**Carbon Based Investment Risk:** Examine our 21 risk factor review process for environmental, social and governance issues.

**Workforce Development:** Provides a snapshot of CalSTRS workforce, our new career development center and enhancements to our professional development program.

**Water Stewardship:** Learn what CalSTRS has been doing in our Sacramento headquarters to conserve water, one of our most precious natural resources.

CalSTRS is a responsible investor that recognizes that risks can have significant financial impact. The consideration of ESG risks within our business framework, also referred to as sustainability, ensures the integrity of our system and the strength of our fund. We are committed to securing the financial future and sustaining the trust of California’s educators.

The full 2014–15 report, plus short videos featuring a variety of CalSTRS programs and stakeholder perspectives on our sustainability practices, can be viewed at CalSTRS.com/sustainability.
**2015 Actuarial Valuation**

**Defined Benefit Program remains on track toward full funding**

At the Teachers' Retirement Board meeting in April, CalSTRS released the actuarial valuation of the Defined Benefit Program as of June 30, 2015, reflecting the importance of adequate funding over the long term. According to our actuarial consultant, Milliman, the $76.2 billion funding gap is well below the projected $85.1 billion figure outlined when the long-term funding plan was developed in 2013–14. Our actual funding status has remained stable at 68.5 percent, unchanged since 2014. Initially, projections for this year's funding ratio put the fund at 64.8 percent of the assets needed to pay our obligations.

Milliman projects future revenue from contributions to the Defined Benefit Program will be sufficient to finance future obligations based on meeting our long-term assumed annual investment return of 7.5 percent. We remain ahead of pace—despite this past year’s market volatility—posting an average investment return of 8.2 percent over the past 25 years, as of December 31, 2015.

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**New Contribution Rates Begin July 1**

Under the 2014 CalSTRS Full Funding Plan, member contribution rates will increase July 1, 2016. The new rates are based on your retirement formula:

- **CalSTRS 2% at 60 members**: Your rate will increase from 9.20 percent to 10.25 percent.
- **CalSTRS 2% at 62 members**: Your rate will increase from 8.56 percent to 9.205 percent.

This is the final rate increase for members under the new law. If you’re a 2% at 62 member, your rate may be adjusted up or down in the future under the Public Employees’ Pension Reform Act of 2013, based on changes to the normal cost rate.

The employer contribution rate will increase to 12.58 percent July 1, 2016, for all members. The state contribution rates, including contributions for purchasing power protection, will increase to 8.828 percent July 1, 2016.

The CalSTRS Full Funding Plan, enacted in Chapter 47, Statutes of 2014 (Assembly Bill 1469-Bonta), set a course for CalSTRS’ long-term viability. The new plan relies on contribution rate increases from all parties—members, employers and the state—without reducing benefits. In exchange for the increased member contribution rates, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who pay the increased contribution. With the new funding structure in place, the Defined Benefit Program is projected to be fully funded by 2046.

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**Did you know?**

Investment returns from the CalSTRS portfolio provide 62 percent of the funds to pay benefits, with contributions providing 38 percent.

**CalSTRS 2% at 60**—first hired to perform service that could be credited to the Defined Benefit Program before January 1, 2013, or were a member of a concurrent retirement system before January 1, 2013, and performed service that could be credited to the Defined Benefit Program within six months of becoming a CalSTRS member.

**CalSTRS 2% at 62**—first hired to perform service that could be credited to the Defined Benefit Program on or after January 1, 2013.

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For more information see [CalSTRS.com/CalSTRS-2014-funding-plan](http://CalSTRS.com/CalSTRS-2014-funding-plan).
As a California public school educator, you do not contribute to Social Security, so you will not receive a Social Security benefit for your CalSTRS-covered employment when you retire. If you expect to receive Social Security benefits due to other employment, the federal Windfall Elimination Provision may reduce the Social Security benefits you receive.

Your CalSTRS benefit was designed to reward your service as an educator by increasing the amount of your benefit based on additional years worked. In contrast, Social Security was designed to protect those with low lifetime earnings from poverty during retirement. Under the Social Security benefit formula, a low lifetime earner receives a higher replacement ratio than an individual with greater lifetime earnings. Before the enactment of the WEP in 1983, CalSTRS members who also had some earnings covered by Social Security received the same high replacement ratio as individuals who were low lifetime earners.

Congress aimed to correct this perceived inequity with the WEP, which applies a reduction to Social Security benefits earned by individuals who earn a public pension working in non-Social Security covered employment. However, the formula used has been critiqued for being inequitable and arbitrary, with particularly harsh effects on low earners.

According to the chief actuary of Social Security, roughly 25 percent of all state and local government employees are not covered by Social Security, and the benefits of some 1.5 million retired government employees are currently reduced by the WEP. On March 22, the House Ways and Means Social Security Subcommittee held a hearing on “Social Security and Public Servants: Ensuring Equal Treatment.” The hearing focused on the WEP and alternative formulas. Expert witnesses acknowledged weaknesses in the current offset and spoke in support of a new approach.

HR 711: Equal Treatment of Public Servants Act
HR 711 (Brady, R-TX) proposes a new formula for those who become eligible for Social Security benefits after 2016—those who turn 62 or become disabled on or after January 1, 2017. The formula uses actual lifetime earnings to calculate the reduced Social Security benefit and would result in a higher Social Security benefit for most individuals. For high earners, however, the formula in HR 711 would result in a greater reduction to their Social Security benefit than the current WEP. In addition, the new formula would be more broadly applied, affecting individuals who perform any service not covered by Social Security—including those with less than five years of service who never become eligible to receive a CalSTRS retirement benefit.

Moreover, HR 711 would provide a rebate of up to half a retiree’s current offset to those over age 62, with funds sourced from increased enforcement of the existing WEP provisions.

The HR 711 formula considers up to 35 years of earnings, including earnings not covered by Social Security, to establish a theoretical Social Security benefit as if all of a person’s service was covered under Social Security. The resulting income replacement ratio would be applied to Social Security-covered earnings only. Each person’s replacement ratio would be individually established based on his or her actual lifetime earnings rather than the one-size-fits all approach of the current WEP.

Good to Know: Follow Current Legislation at CalSTRS.com
Keep on top of current legislation that affects CalSTRS at CalSTRS.com/legislation. Updates regarding CalSTRS regulatory activities, information about past legislation, reports and data sheets, and legislative links can also be accessed through this site.
This summary provides important details regarding your retirement fund.

**Our mission:**
Securing the financial future and sustaining the trust of California’s educators

### Teachers’ Retirement Fund

**Statement of Changes in Fiduciary Net Position**

<table>
<thead>
<tr>
<th>(Dollars in Thousands)</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets Held in Trust, Beginning of Year (as previously stated)</td>
<td>$190,474,016</td>
<td>$166,348,909</td>
</tr>
<tr>
<td>Adjustment for Application of GASB 68</td>
<td>(161,907)</td>
<td>—</td>
</tr>
<tr>
<td>Net Assets Held in Trust, Beginning of Year (as adjusted)</td>
<td>$190,312,109</td>
<td>$166,348,909</td>
</tr>
</tbody>
</table>

**Additions**

- Contributions (member, employer, State of California, federal government): 6,613,323, 5,919,247
- Investment Income: 7,911,904, 30,706,172
- Investment Expense: (300,260), (304,269)
- Other Income: 3,935, 2,055

**Total Additions:** 14,228,902, 36,323,205

**Deductions**

- Benefits and Refunds: 12,564,596, 12,035,156
- Administrative Expenses: 145,239, 154,155
- Other Expenses: 8,840, 8,787

**Total Deductions:** 12,718,675, 12,198,098

**Net Increase:** 1,510,227, 24,125,107

**Net Assets Held in Trust, End of Year:** $191,822,336, $190,474,016

### Defined Benefit Program Funding Ratio

This chart illustrates the difference between the actuarial value of assets and the amount needed to pay benefits to current CalSTRS members from a funding perspective. The ratio of assets to liabilities is determined using an asset-smoothing method that considers short-term fluctuations in asset values. Therefore, the total actuarial value of assets will differ from the market value of investments for any given year.

On June 24, 2014, Governor Brown signed AB 1469 into law, which was enacted as part of the 2014–15 budget. AB 1469 addresses the CalSTRS Defined Benefit Program unfunded liability and incorporates a detailed funding plan, recognizing the need to ensure the viability of the program. The legislation emphasizes the necessity for shared responsibility among the state, school districts and members to eliminate the unfunded liability by 2046.
Your reward—a secure retirement.
Our reward—getting you there.

Defined Benefit Program
As of June 30, 2015

### Membership in 2015

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Members</td>
<td>429,460</td>
<td>420,887</td>
</tr>
<tr>
<td>Inactive Members</td>
<td>184,396</td>
<td>182,815</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>613,856</strong></td>
<td><strong>603,702</strong></td>
</tr>
</tbody>
</table>

| Service Retirements | 247,353 | 241,920 |
| Disability Benefits | 9,848 | 9,604 |
| Survivors Benefits | 24,899 | 24,103 |
| **Total** | **282,100** | **275,627** |

| Total Members and Beneficiaries | 895,956 | 879,329 |

### Average Active Member Age and Years of Service

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Age</td>
<td>45.5</td>
<td>45.6</td>
</tr>
<tr>
<td>Average Years of Service</td>
<td>12.2</td>
<td>12.3</td>
</tr>
<tr>
<td>Average Annual Salary</td>
<td>$69,597</td>
<td>$67,276</td>
</tr>
</tbody>
</table>

### Members Retiring in 2015

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number Retiring</td>
<td>11,278</td>
<td>10,736</td>
</tr>
<tr>
<td>Average Age</td>
<td>63.0</td>
<td>62.7</td>
</tr>
<tr>
<td>Average Years of Service</td>
<td>24.221</td>
<td>23.819</td>
</tr>
<tr>
<td>Average Annual Final Comp</td>
<td>$84,156</td>
<td>$81,288</td>
</tr>
<tr>
<td>Average Annual Member-Only Benefit</td>
<td>$49,704</td>
<td>$47,268</td>
</tr>
</tbody>
</table>

### Years of Service at Retirement in 2015

- 0–5 Years: 1.5%
- 5–10 Years: 7.6%
- 10–15 Years: 10.0%
- 15–20 Years: 15.6%
- 20–25 Years: 14.1%
- 25–30 Years: 18.3%
- 30–35 Years: 17.3%
- 35–40 Years: 13.1%
- 40 & Over Years: 2.5%
Securing Your Financial Future

Teachers’ Retirement Fund
Market Value of Investments
As of June 30, 2015

(Dollars in Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Market Value</th>
<th>Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$102,808</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>$96,696</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>$100,525</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>$116,178</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>$129,592</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$143,848</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>$171,899</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$161,459</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$118,875</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>$129,961</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$155,513</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$150,611</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$165,820</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$189,080</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$191,409</td>
<td></td>
</tr>
</tbody>
</table>

Assets of Programs Administered by CalSTRS
As of June 30, 2015

<table>
<thead>
<tr>
<th>Program</th>
<th>Market Value</th>
<th>Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined Benefit Program</td>
<td>$180.05</td>
<td>4.8%</td>
</tr>
<tr>
<td>Defined Benefit Supplement Program</td>
<td>$11.09</td>
<td>4.8%</td>
</tr>
<tr>
<td>Cash Balance Benefit Program</td>
<td>$273.61</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

1 One year return calculated on a gross of fees time-weighted return basis.

Portfolio Returns and Benchmarks
As of June 30, 2015

Benchmarks are goals and standards used to measure investment performance.

<table>
<thead>
<tr>
<th>Time Period</th>
<th>CalSTRS</th>
<th>Benchmarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>4.77%</td>
<td>4.64%</td>
</tr>
<tr>
<td>3 Years</td>
<td>12.26%</td>
<td>12.26%</td>
</tr>
<tr>
<td>5 Years</td>
<td>12.14%</td>
<td>12.29%</td>
</tr>
<tr>
<td>10 Years</td>
<td>7.02%</td>
<td>7.19%</td>
</tr>
</tbody>
</table>

CalSTRS  Benchmarks
Securing Your Financial Future  

Teachers' Retirement Fund  
Asset Allocation  

Total Investment Portfolio of $191.4 billion  
As of June 30, 2015

CalSTRS Resources

WEB  
CalSTRS.com  
Click Contact Us to email  
myCalSTRS.com  
403bCompare.com  
Pension2.com

WEB  
CalSTRS.com  
Click Contact Us to email  
myCalSTRS.com  
Pension2.com

CALL  
800-228-5453  
7 a.m. to 6 p.m.  
Monday through Friday  
916-414-1099  
Calls from outside the U.S.

CALL  
800-228-5453  
7 a.m. to 6 p.m.  
Monday through Friday  
916-414-1099  
Calls from outside the U.S.

WRITE  
CallSTRS  
P.O. Box 15275  
Sacramento, CA 95851-0275

WRITE  
CalSTRS  
P.O. Box 15275  
Sacramento, CA 95851-0275

VISIT  
CalSTRS  
Pension2® Personal Wealth Plan  
855-844-2468 (toll free)  
Pension Abuse Reporting Hotline

VISIT  
Member Services  
100 Waterfront Place  
West Sacramento, CA 95605  
Find your nearest CalSTRS office  
at CalSTRS.com/localoffices

FAX  
916-414-5040

FAX  
916-414-5040

STAY CONNECTED

CalSTRS  
Benchmarks (the goals and standards used to measure investment performance)

One-Year Returns  
As of June 30, 2015  
Calculated using a time-weighted rate of return

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>CalSTRS</th>
<th>Benchmarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>3.12%</td>
<td>3.02%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>2.10%</td>
<td>1.75%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>13.44%</td>
<td>12.40%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>9.08%</td>
<td>7.62%</td>
</tr>
<tr>
<td>Cash</td>
<td>0.60%</td>
<td>1.02%</td>
</tr>
</tbody>
</table>

Inflation Sensitive (1.5%)  
Cash (1.8%)  
Real Estate (12.7%)  
Private Equity (10.1%)  
Fixed Income (15.7%)  
Global Equity (57.4%)  

CalSTRS Benchmarks (the goals and standards used to measure investment performance)
Planning for the Future: Spread the Word

Tell your co-workers about Pension2, CalSTRS’ voluntary supplemental savings plan.

While you know that your money can work for you if you start now and invest regularly, new employees and even long-time colleagues may not. Do them a big favor: remind them that a CalSTRS benefit will replace only about half of their final pay. Tell them how you’re building savings that complement your pension through Pension2 403(b) and 457(b) plans. Share your experience and let them know they can learn more or get started at Pension2.com or by calling toll free 844-electP2 (844-353-2872).

Not enrolled in Pension2 yet? Learn more about flexible plans, investment options and low fees from the Pension2 ebook at Pension2.com.

Compare Us
Most investment plans charge fees and expenses. Even 1 percent can make a big difference in your bottom line over time. Compare fees charged by 403(b) plans in California at 403bCompare.com.

Teachers’ Retirement Board Elects Chair and Vice Chair

The Teachers’ Retirement Board elected Dana Dillon as board chair and Sharon Hendricks as vice chair for the 2016–17 term at its April board meeting.

Dana Dillon is an intermediate grade school teacher from the Northern California town of Weed. She has served on the board since her election in 2003. She previously served as board chair in 2007 and again from 2009 through 2014. Ms. Dillon has been active in the California Teachers Association for 33 years, serving as state council representative and as an elected member of its board of directors.

Sharon Hendricks is a communications studies professor with the Los Angeles Community College District and was elected to the board in 2011. Ms. Hendricks has served as vice chair since 2014. She also serves as president of the American Federation of Teachers, local 1521 chapter at Los Angeles City College. Ms. Hendricks is active in the Community College Council of the California Federation of Teachers.

The board nominates and elects a chair and vice chair annually. The newly-elected officers assume their posts immediately.

New CalSTRS Financial Awareness Workshop Series

Learn what it takes to secure the future you want through our new Financial Awareness Series workshops offered at our Member Service Centers. Each workshop takes an in-depth look at a specific area of financial planning, including ways to save money leading up to retirement. The CalSTRS Financial Awareness Series two-hour workshops include:

Save for Your Future: Save now for a secure future. Discover ways to create and evaluate a budget, tips for managing credit and debt, and the questions to ask before investing.

Plan for Your Future: Plan now to enjoy the future. Explore different retirement income sources and expenses, prepare for potential obstacles and gain a better perspective for what the future may hold.

Visit CalSTRS.com/workshops to register.
Investment Officer Recognized for Excellence

For the fourth year in a row, a member of the CalSTRS investment staff was named to Chief Investment Officer magazine’s influential “Forty Under Forty” list of up-and-coming investment professionals under the age of 40. The list is an annual recognition of excellence among investment professionals employed by large asset owners.

Simranjit “Sunny” Dhillon joined our Fixed Income unit in 2008 and currently is the lead trader/analyst for the fund’s $9.1 billion Interest Rate Portfolio and the $540 million Global Inflation Portfolio. In addition, he is a lead member of the Fixed Income Derivative team.

Mr. Dhillon holds a Bachelor of Science in managerial economics from University of California, Davis. He holds both CFA® and CAIA® charters and is currently completing a Master of Business Administration.

“I feel honored for having received this award and incredibly grateful to my mentors and peers who have helped me grow and develop my skill set in the investment industry,” said Mr. Dhillon.

“At age 34, Sunny is a great example of the exceptional talent that CalSTRS recruits,” said CalSTRS Chief Investment Officer Christopher J. Ailman. “All four of our stellar staff recognized on this list still work here to this day. It’s a great source of pride for us to say, ‘We grow local talent and keep them at CalSTRS.’”

Staff members who were previously recognized include: Aeisha Mastagni (2013), Josh Diedesch (2014) and Carrie Lo (2015). Ms. Mastagni and Ms. Lo have since been promoted to portfolio managers. Mr. Diedesch has since been promoted to associate portfolio manager.

Governance, Innovation & Risk Leaders Lauded

The directors of our Corporate Governance and Innovation & Risk units recently received awards from Institutional Investor Magazine.

The accolades, part of the third-annual Investor Intelligence Awards held in April, were in recognition of expertise and dedication to CalSTRS and the investment industry. Corporate Governance Director Anne Sheehan received her award in the areas of Environmental, Social, Governance/Socially Responsible Investing. Innovation & Risk Director Steven Tong received the Innovator Award for his role in launching the Innovation & Risk unit in 2009.

Since arriving at CalSTRS in 2008, Ms. Sheehan has placed $4 billion to work with activist managers to seek governance changes when engagement strategies needed a boost. Ms. Sheehan also oversees CalSTRS sustainable managers consisting of external equity managers who actively integrate sustainability into their investment analysis and stock selection. Under her leadership, CalSTRS has stepped up shareholder proposals on issues of sustainability, majority voting and board diversity.

Mr. Tong has a 32-year career with us that began with accounting responsibilities and grew over the years to encompass investment operations, global equity, and now oversight of our Innovation & Risk unit since its 2009 launch.

The efforts of Mr. Tong and his 10-member staff culminated with the Investment Committee’s November 2015 adoption of a new class to the CalSTRS investment portfolio: Risk Mitigation Strategies. This approach focuses on a diverse basket of investment strategies designed to moderate the impact of equity market volatility.
CalSTRS Partners with SSGA to Drive Gender Balance in Investing

Achieving gender balance in the workplace isn’t just good for women—it’s good business. But while the data may prove the benefits of a diversified workforce, the investment industry hasn’t made progress in this area over the past decade.

That’s why CalSTRS and State Street Global Advisors held an event in March called Beyond Talk: Taking Action to Achieve Gender Balance in the Financial World. The 100 attendees included professionals at all levels of asset owner and management institutions. Our goal? To reignite the gender equity movement in the financial space and empower individuals to drive meaningful change.

Attendees heard from gender research experts at Mercer and Stanford’s Clayman Institute for Gender Research (gender.stanford.edu), and worked with their peers to develop solutions to employ within their own organizations. Several themes emerged based on the research and perspectives being shared, including:

• The pipeline is not the problem. Women make up over 50% of the population and earn about 60% of undergraduate and master’s degrees, but continue to be underrepresented and underpaid relative to men.

• Meritocracy requires action. Businesses must do more than verbally commit to fair hiring and evaluation practices—they must proactively identify and fix biases within the organization.

• Bias is often unconscious. Even well-intentioned people don’t realize they’re exhibiting bias unless they’re actively looking for it or it’s pointed out to them.

To learn more, go to ai-cio.com to watch CalSTRS’ CIO Chris Ailman and SSGA’s Kristi Mitchem discuss the catalyst behind the event—and why it’s time to move “beyond talk” on the gender equity subject. Select Videos from the menu bar and you will find this discussion under Featured Videos.

Proposed Social Security Changes Could Affect You

Consider Linda, who worked 35 years: 10 years in the private sector and 25 years as a California educator. If she is subject to the current WEP, in 2017 at age 62, Linda would receive a Social Security benefit of $502.

Under HR 711, Linda’s lifetime earnings would be subjected to the Social Security calculation. An individual with Linda’s average indexed monthly earnings of $6,328 would receive a benefit of $1,795 at age 62, a replacement ratio of 28 percent, if all 35 years of her service was covered under Social Security. That percentage is applied to her 10 years of actual Social Security-covered service, with a resulting monthly benefit of $515.

The Teachers’ Retirement Board is watching HR 711 closely. Former Board Chair Harry Kelley’s testimony submitted for the House Ways and Means Social Security Subcommittee hearing record in March can be viewed by going to CalSTRS.com/social-security and clicking the Social Security, CalSTRS and You link on the right hand side of the page.

The proposal has garnered bipartisan sponsorship in Congress. In addition, a similar proposal, which includes a reform of the Government Pension Offset and would take effect 10 years later, is part of the President’s 2017 budget. To follow the committee’s progress and learn more about HR 711, visit waysandmeans.house.gov/subcommittee/social-security/.

Read the CalSTRS fact sheet Social Security, CalSTRS and You at CalSTRS.com/publications to learn more about the WEP as well as the Government Pension Offset that affects the Social Security benefit you receive as a spouse or surviving spouse. Find out how the current WEP would affect you using Social Security’s WEP calculator at ssa.gov/planners/benefitcalculators.html.
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