



SUMMER 2010

RETIRED Educator

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

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Major U.S. Health Reform May Help CalSTRS Retirees

The passage of the Patient Protection and Affordable Care Act in March brought the most sweeping change in U.S. health care since the creation of Medicare in 1965. Many details will not be clear until the U.S. Department of Health and Human Services writes necessary regulations. Implementation will occur over several years, with three years passing before some of the most extensive changes begin.

The new law:

- Requires most Americans to obtain health insurance coverage. Those without insurance will pay fines, but exceptions will be granted for financial hardship and other reasons. It also provides subsidies for those who cannot afford the premiums.
- Creates state health exchanges that will allow people without employer-provided coverage, or those who cannot afford such coverage, to buy health insurance.

- Requires dependent coverage for both married and unmarried children up to age 26 to be offered no later than the beginning of the new plan year effective after September 23, 2010. Some insurance companies have announced they will provide this expanded coverage earlier.
- Creates a temporary national high-risk pool to provide health coverage to people with pre-existing medical conditions who have been uninsured for at least six months.

Rules for Insurers

The law prohibits individual and group health plans from:

- Placing lifetime limits on the dollar value of coverage.
- Rescinding coverage except in cases of fraud.
- Using pre-existing conditions to deny coverage.
- Requiring a waiting period longer than 90 days.

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HEALTH REFORM *continued from page 1*

The law also requires health insurance to cover certain preventive care services, such as vaccinations and recommended screenings, without requiring any cost-sharing.

Long Term Care Program

Unfortunately, individuals who are already retired will not be allowed to enroll in the new Community Living Assistance Service and Support (CLASS), which assists working adults and future retirees in purchasing community living assistance service and supports.

Changes in Medicare

The new health care law expands Medicare-covered prescription drug and prevention benefits and introduces new programs designed to improve the quality and delivery of care. These changes may affect you.

Multiple steps will be used to close the Medicare Part D coverage gap, or “doughnut hole.” The doughnut hole is the difference of the initial coverage limit and the catastrophic coverage threshold, as described in the Medicare Part D prescription drug program.

The federal government will provide a rebate of \$250 to all Medicare beneficiaries who enter the doughnut hole in 2010. Next year, pharmaceutical manufacturers will provide beneficiaries who fall into the doughnut hole a discount of 50 percent on brand-name drugs. This discount will increase to 75 percent by 2020, with the government paying the rest of the cost of the prescriptions. Also, between 2014 and 2019, the out-of-pocket amount required when you reach catastrophic coverage will be reduced.

Beneficiaries with higher annual incomes are required to pay a larger portion of their

Medicare Part B premiums. In 2010, the first level of higher premiums is at \$85,000 per individual or \$170,000 per couple. Starting in 2011, the income levels at which increased Medicare Part B premiums are paid will not change until at least 2020.

Federal payments to Medicare Advantage plans, such as Kaiser Senior Advantage or Blue Shield Senior Horizons, will be frozen in 2011, and beginning in 2012, payments will be reduced.

Early Retiree Reinsurance

The law also creates a temporary reinsurance program to encourage employers to provide early retiree coverage. The federal government will subsidize 80 percent of the cost of an early retiree's claim above \$15,000 up to \$90,000. Early retirees are individuals age 55 to 64. Plan sponsors must apply to participate.

Beware of Scams

There have been numerous reports of opportunistic individuals or companies using the passage of the health care reform to take advantage of people, particularly elders. Individuals, claiming to be with “ObamaCare,” have pressured people to enroll in plans now in order to comply with the law. In another scam, a Medicare beneficiary receives a call requesting the person's bank account number so that the caller can forward the \$250 rebate for reaching the doughnut hole to the bank account.

There is no such thing as “ObamaCare,” and there are no quickly approaching deadlines. Representatives from the federal government will not call beneficiaries to secure information about bank accounts.

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CalSTRS Mission:

Securing the financial future and sustaining the trust of California's educators

Teachers' Retirement Board

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Statements in this publication are general and the Teachers' Retirement Law is complex and specific. If a conflict arises between information contained in this publication and the law, any decisions will be based on the law.

CalSTRS *Retired Educator* is published twice a year for retired members and benefit recipients of the California State Teachers' Retirement System. Send your comments or suggestions to:

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Spring Audio Town Hall

Your Questions Answered

CalSTRS members had the opportunity to call and ask questions during CalSTRS second annual audio town hall meeting on June 10. The hour-long event included a presentation by CalSTRS CEO Jack Ehnes and Deputy Chief Executive Officer Peggy Plett that focused on sorting fact from fiction surrounding the status of CalSTRS retirement benefits.

The questions and answers we were unable to address before the hour ended are provided below. A recording of the entire town hall meeting is available at CalSTRS.com (under *What's New*) in two parts: the presentation and the question and answer session.

Is the CalSTRS fund available for the state to borrow from to shore up the General Fund? Hasn't that happened before? Did we get the money back?

The State of California cannot borrow from the Teachers' Retirement Fund. There have been attempts in the past to use some of our legislated funding to help balance the state's budget, but the Teachers' Retirement Board has aggressively protected the fund's independence. In 1992, voters passed Proposition 162 to provide protection against such actions.

More recently, in 2003, the board successfully brought a lawsuit against the state to reverse its withholding of \$500 million from the Supplemental Benefit Maintenance Account, which is used for supplemental payments that help retirement benefits retain a consistent standard of living. CalSTRS claimed the state had a contractual obligation to pay the full amount, and the court agreed.

The state was ordered to pay the past-due amount, plus interest. This decision was upheld in appellate court. On September 10, 2007, the state made a \$500 million payment. CalSTRS estimates that accrued interest could exceed \$200 million, which requires a legislative appropriation to pay.

Is the method to increase contributions at CalSTRS the same as the method used at CalPERS?

No. It is ultimately up to the legislature and the governor to increase CalSTRS contributions, while CalPERS has the ability to set its own employer contribution rates.

As long as I am receiving my CalSTRS retirement, I can't receive my husband's social security if he is deceased. Why?

Federal law includes offset provisions that reduce or eliminate the benefits of all people who receive a government pension for employment not covered by Social Security. The provisions eliminate the perceived advantage these people have because they appear to be low income workers when they are not. California educators are affected.

The Windfall Elimination Provision (WEP) reduces the Social Security benefit one earns due to his or her own employment. The Government Pension Offset (GPO) reduces or eliminates the spouse's, widow's or widower's Social Security benefit. CalSTRS benefits are not affected by these offsets.

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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 Social Security benefit by up to two-thirds of CalSTRS retirement benefit.
For example, a 62-year-old CalSTRS member retiring in 2010 may expect up to a \$381 reduction in Social Security benefits.	For example, at age 62, a retired CalSTRS member receives a \$1,500 CalSTRS benefit and expects a \$750 Social Security benefit from a spouse who died. The two-thirds reduction will completely eliminate the member's entire Social Security benefit.

In the 2009 Summary Report to Members, the fund was 87 percent funded on an 8 percent investment assumption. Is 8 percent a realistic figure to base future funding given the current state of the stock market?

The Teachers' Retirement Board is considering whether or not to lower the assumed rate of return from the current 8 percent. They will discuss this topic further during their November board meeting. We will keep you informed of their decision in the pages of this publication and on CalSTRS.com.

What about the beneficiary option I took at retirement for my daughter? Will she still be getting that with the funding shortfall?

Yes, your daughter will continue to receive her benefit upon your death. CalSTRS retirement, disability and survivor benefits are protected by the California and U.S. constitutions.

I notice an enormous number of teachers being laid off. What effect will the large layoffs have on funding?

There are contributions to the Teacher's Retirement Fund from the state's General Fund that are based on the annual state-wide payroll, but layoffs have a minor impact on overall funding.

Fewer members earning creditable compensation means fewer contributions paid to CalSTRS. However, members do not earn service credit if they are not earning creditable compensation and contributing to CalSTRS. Fewer years of service credit at retirement means lower monthly retirement benefit amounts paid from the Teachers' Retirement Fund.

When will supplemental payments be resumed at the previous level?

When the value of your monthly retirement benefit drops below 85 percent of its original purchasing power due to inflation, you will receive a quarterly supplemental payment. The supplemental payment is intended to provide you with a consistent standard of living when prices are rising.

When there is no or low inflation, as there has been in recent years, your retirement benefit retains all or most of its economic value. Therefore, your quarterly supplemental payment may be the same or decrease—or you may no longer receive a supplemental payment.

The purchasing power of your retirement benefit is determined each year by the change in the All Urban California Consumer Price Index. This is not a guaranteed benefit and the program may end if funding is not available.

In the late 1990s, CalSTRS increased the benefits for teachers substantially but there was no increase in contributions from teachers. Why were teachers not asked to pay more money into contributions to receive a higher benefit?

In March 1998, the CalSTRS actuary completed its assessment of the Teachers' Retirement Fund and determined that the fund's assets represented 97 percent of its liabilities. By 2000, the fund's assets reached a value of 110 percent.

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Working After Retirement

Thinking of returning to work? Your only restriction on working after service retirement is employment within the California public school system. State law prohibits retired members from working in a classified position except, under certain circumstances, as a teacher's aide.

The law restricts the amount you can earn without affecting your CalSTRS retirement benefit if you work in a CalSTRS-covered position as an employee of a public school district, an independent contractor or an employee of a third party.

If you received additional service credit under the CalSTRS Retirement Incentive Program, you will lose the additional service credit if you return to work within five years of retirement for the employer that offered the incentive.

New Restriction for Retirees Under 60

Retired CalSTRS members who are under age 60 and have been retired for less than six months are subject to a new restriction if they return to CalSTRS-covered employment during the initial six months after retirement. If a retired member returns to work within that period, CalSTRS will reduce his or her retirement benefit dollar-for-dollar by an amount equal to their earnings. There are no exemptions from this restriction.

You are affected by this restriction if you:

- Are under age 60.
- Are within six months of your retirement effective date.
- Earn any compensation in CalSTRS-covered employment.

Earnings Limit

Even if you are over age 60, if you return to work in a CalSTRS-covered position there is a limit to the amount you can earn in a school year without affecting your benefit. Your CalSTRS benefit will be reduced dollar-for-dollar by the amount earned from public school employment in excess of the annual earnings limit up to your annual retirement benefit.

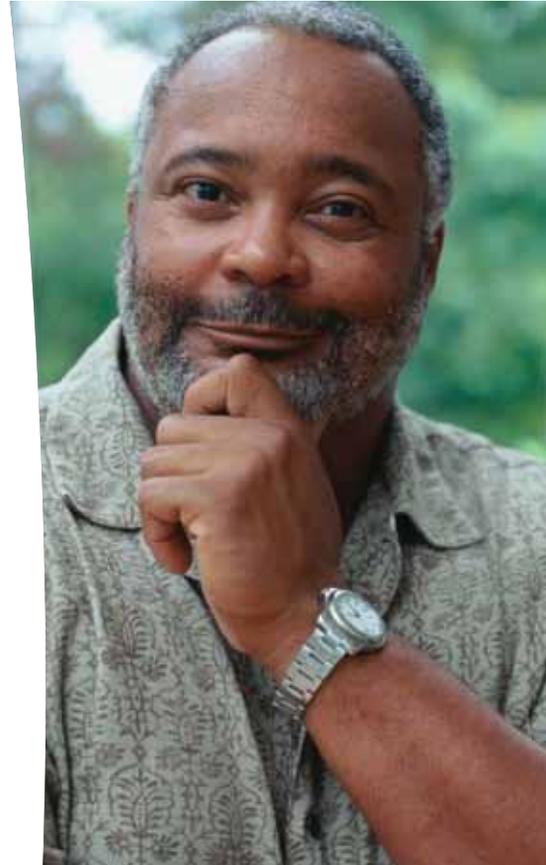
The Teachers' Retirement Board adjusts the earnings limit annually. The earnings limit for the 2010-11 school year is \$31,020.

Exemptions from the Earnings Limit

You may qualify for an earnings limit exemption under certain circumstances. Contact your employer if you believe you qualify. If you are under age 60, however, there are no exemptions from the separation from service requirement, and your compensation earned will apply to the earnings limit.

In most cases, your employer must submit documentation to substantiate your eligibility for an exemption by June 30 of the applicable school year. It is your responsibility to contact your employer to verify

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WORKING AFTER RETIREMENT *continued from page 5*

that the required documentation has been submitted.

CalSTRS has the final authority to approve an exemption request. Keep in mind you are subject to the earnings limit unless CalSTRS approves your exemption request. Visit CalSTRS.com or see the *Member Handbook* for more information.

Reinstatement After Retirement

You may voluntarily end your retirement and reinstate to active membership any time after the date of your retirement by submitting the *Reinstatement After Retirement* form.

If you wish to reinstate, we must receive your signed *Reinstatement After Retirement* form no later than the last day of the month you reinstate. For example, if you

want your retirement to end as of July 15, 2011, your form must be received no later than July 31, 2011.

If you decide to remain retired, you may cancel your reinstatement application as long as we receive your request by the last day of the month in which your termination of retirement was to become effective. Otherwise, you will not be able to retire again for 12 months from reinstatement.

You can apply for your subsequent retirement as early as six months before your next retirement date.

To learn how reinstatement could affect your future retirement benefits, request a written estimate of your future benefit prior to meeting with a benefits counselor. You will also find more information in the *Member Handbook*.

Examples of Postretirement Earnings Situations

The earnings limit for the 2010-11 fiscal year is \$31,020.

The gross monthly benefit at retirement for both scenarios is \$7,000.

Retirement Date	Return to Work Date	Postretirement Earnings	Excess Earnings	Excess Earnings Effect on Monthly Benefit
Scenario 1				
June 30, 2008, at age 65	Sept. 1, 2009 (14-month break in service)	<i>Total earnings:</i> \$36,000 by March, 2010	<i>Above earnings limit:</i> \$4,980	None. 12 or more month break in service qualifies for an exemption.
Scenario 2				
June 30, 2010, at age 65	Sept. 1, 2010 (2-month break in service)	<i>District 1:</i> \$20,000 <i>District 2:</i> \$20,000 <i>Total earnings:</i> \$40,000 by March, 2011	<i>Above earnings limit:</i> \$8,980	Monthly benefit reduced dollar-for-dollar by the amount of excess earnings up to 100 percent of monthly benefit. Deduction first month = \$7,000 (Retiree receives no benefit). Deduction second month = \$1,980 (Retiree receives a benefit of \$5,020). <i>Not exempt:</i> No 12-month break or other exemption.

Going Green: No Benefit Stubs for Electronic Payments

Direct deposit saves time and paper, a win-win for you and CalSTRS. As a result of recent legislation, CalSTRS will no longer automatically mail benefit stubs (warrant advices) for electronic payments, unless you request to receive them or there is a change in the amount of your payment.

Although you will begin to receive your benefit payment stubs electronically, by law we are still required to mail a copy of the stub if there is *any* change in the amount of your payment. For example, you will receive your benefit payment stub by mail:

- When you receive your annual benefit adjustment in October.
- If there is a change in the federal or state tax tables.
- Any time your health insurance, dues or any other deduction changes.

You can always view or print your benefit payment stubs from your *myCalSTRS* account. From *my.CalSTRS.com*:

- Login to your *myCalSTRS* account.
- Select *Access Your Benefit Payments*.
- Select the correct year and benefit type.
- Scroll down to the *Net Payments* box.
- Click on *Stub* to the right of the payment you wish to view or print.

CalSTRS is working on a process for members with direct deposit to request that they continue to receive their benefit payment stubs by mail each month. We will release more information as it becomes available.

HEALTH REFORM *continued from page 2*

You should take normal precautions, including not providing personal identifiable information to an unknown caller or e-mailer. If you think you are the target of such a scam, contact either the Insurance Commissioner or the Better Business Bureau.

Taxes and Fees

The new law pays for the expanded coverage through various taxes and fees. The following might affect you:

- Starting in 2013, there will be a Medicare tax of 3.9 percent on investment income, such as dividends and interest, for individuals with adjusted

gross income of more than \$200,000 or joint filers with more than \$250,000 in adjusted gross income. Distribution from pensions, IRAs and other qualified retirement plans are exempt.

- Also beginning in 2013, the threshold for itemized medical deductions increases to 10 percent of gross adjusted income rather than the current 7.5 percent. Individuals age 65 or older and their spouses are exempt from the increases through 2016.

Visit CalSTRS.com to see the full analysis of the bill provided to the Benefits and Services Committee of the Teachers' Retirement Board in June 2010.

Jerilyn Harris Elected Chair of CalSTRS Board

Harry Keiley elected Vice-Chair

The Teachers' Retirement Board unanimously elected Jerilyn Harris as chair and Harry Keiley as vice-chair for the 2010-11 term.

The 12-member board nominates and elects its chair and vice-chair annually. Members serve four-year terms. The board officers provide leadership to the trustees as they develop policies and provide direction to the board.



Jerilyn Harris is an award-winning science teacher with more than 25 years experience teaching in Ukiah and Beverly Hills. On the board,

she has chaired the Appeals and Legislative committees. Harris retired from teaching in 2002 and has served on the Teachers' Retirement Board since 2005. She served as vice-chair in 2009. Harris is a former chair of the California Commission on Teacher Credentialing.



Harry M. Keiley is a high school teacher with the Santa Monica-Malibu Unified School District and was elected to the Teachers' Retirement

Board in 2007. On the board, he has chaired the Compensation Committee. Keiley has served as president of Santa Monica-Malibu Classroom Teachers Association and as chair of the California Teachers Association Political Involvement Committee.

Hear Live Audio of Teachers' Retirement Board Meetings

CalSTRS members and the public now have the opportunity to listen to board proceedings as they occur.

Streaming Audio

The Teachers' Retirement Board has increased the transparency of board meetings by providing live audio streaming of open sessions at CalSTRS.com.

On board meeting days, a link is posted on the CalSTRS.com home page. Members and the public can click on the link to listen to the current session. Most personal computers with speakers should be able to access the link using Windows Media Player or any other media player capable of playing Windows Media Audio (WMA) files.

You will hear music during closed sessions and breaks. The Appeals Committee is not covered by the live audio stream because of the sensitive individual member information covered in those sessions.

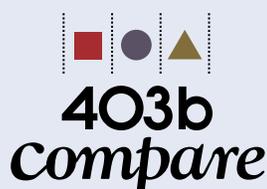
Video Requests

Copies of open meeting video recordings, with the exception of the Appeals Committee, are available upon request. Send requests to BoardDVDRequest@CalSTRS.com. When requesting copies, be sure to include:

- Your name.
- The date of the meeting.
- Specific committees, if applicable.
- A physical address where a DVD can be mailed.
- Your contact information, including a phone number.

A DVD will be mailed to you within 15 business days.

For more information about the Teachers' Retirement Board, including current and past meeting agendas and a meeting calendar, visit CalSTRS.com (select *CalSTRS* under the *Learn About* heading, then select *Teachers' Retirement Board*).



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Find unbiased, side-by-side comparisons of investment plans and fees in one convenient location.

Join Our Online Community with CalSTRSBenefits.U.s and myCalSTRS

CalSTRSBenefits.U.s

CalSTRSBenefits.U.s is your source for the facts about CalSTRS benefits and program funding. Join the conversation on plan funding by asking questions, sharing and discussing your thoughts, posting comments and connecting with other educators.

Visit CalSTRSBenefits.U.s today to better understand the value of your benefit of a lifetime and CalSTRS commitment to your secure future.

myCalSTRS

Simple, secure and convenient access to your CalSTRS accounts.

my.CalSTRS.com is your online resource to manage your personal information on file with CalSTRS. myCalSTRS is safe and secure and offers online information anytime, anywhere.

- View your account and service credit balances.
- Ask questions about your accounts and receive informed, secure answers.
- View and print your 1099-R forms and benefit payment stubs.
- Make changes to your state and federal tax withholding preferences.
- See your beneficiary and recipient designation information.
- Change your e-mail address and phone number.
- Request e-delivery of newsletters, notifications and statements.

Recent improvements to myCalSTRS include:

- Upgraded design and navigation.
- Online direct deposit management.
- A new way to log in for current and new visitors.



Stay Connected

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Share CalSTRS news and information.
Join the discussion and spread the word.



Facts About Your CalSTRS Pension

By Jack Ehnes, CalSTRS CEO

Lately there have been a lot of stories about public pensions in the news. You probably have read doomsday scenarios about the future of public pensions—that they're losing value or there aren't enough assets to pay benefits. We've seen the stories, too. Today, I want to provide some facts about your CalSTRS pension.

CalSTRS Will Continue to Pay Benefits

The Defined Benefit Program at CalSTRS has enough assets to pay benefits until 2045. At that point, the state would have a legal obligation to pay the difference between the cost of the benefits being paid and the funds CalSTRS has to pay benefits. At issue is the future funding of benefits for the next generation of our state's educators.

Worldwide Decline Impacts CalSTRS

From around your block to around the world, the financial crisis of the past two years was a global, traumatic event. Even CalSTRS was impacted. Our retirement fund experienced a negative 25 percent return through June 30, 2009.

We hadn't seen a decline of this magnitude since the Great Depression. History is on our side, however. There have been more positive than negative returns since the Civil War. A negative year is typically followed by several positive years.

Economy on the Rebound

In 2009, the S&P 500 index gained nearly 25 percent. Since the low point in early 2009, we've been on the rebound. Today, CalSTRS has assets of about \$138.5 billion—up from \$119 billion on July 1, 2009. The dust from the financial fallout

hasn't quite settled, but we appear to be beyond the worst of it.

Unfunded Liability

A major issue facing CalSTRS is what is called our "unfunded liability." This is the future debt owed by the system for projected future benefits. Over the years, this figure has ebbed and flowed with the times.

When the Teachers' Retirement Fund started back in 1913, educators joining the system were given years of service credit for previous employment—without any employer or employee contributions to the fund. So right off the bat, in the early days before CalPERS and Social Security were established, CalSTRS had an unfunded liability.

Throughout our 97-year history, we've seen the unfunded liability figure go up and subsequently disappear. This figure fluctuates annually. For instance, in 2000, we were 110 percent funded, but for the last full fiscal year for which we have audited figures (2007–08), CalSTRS was 87 percent funded. We faced an unfunded liability of \$22 billion. The amount was a snapshot in time for funding that takes place over decades. We expect the funding status to decline further based on the June 2009 valuation.

Funding Status Today

Taking into account the economic turmoil over the past 24 months, when we report on our unfunded liability for fiscal year 2008–09, our future debt will be greater and will require a contribution increase. The significant financial losses we

experienced during the global economic downturn make it unreasonable to assume that future investments will be enough to eliminate our unfunded liability. Therefore, contribution rates will need to be increased by the legislature to offset the impact of investment losses.

It is not necessary for a pension fund to have all the money it needs at this point in time. Our actuary forecasts our needs for 40 years and longer. Think of it like a mortgage on a home. It is not necessary for you to have all the money on hand to pay for it now. What is needed is a plan to pay for it.

Your CalSTRS Pension Is Secure

Your retirement, disability and survivor benefits are guaranteed. The State of California is the guarantor of the trust to ensure its ability to pay benefits.

However, the annual 2 percent benefit adjustment, also known as Cost of Living Adjustment (COLA), is not guaranteed and could be reduced or eliminated. This is not a matter for the Teachers' Retirement Board to decide. The California Legislature could reduce or end that annual adjustment.

Your CalSTRS Defined Benefit does not change with the ups and downs of the economy. It is based on your age, final compensation and years of service credit at retirement.

AUDIO TOWN HALL *continued from page 4*

Following an analysis of existing CalSTRS benefits and the benefits available under other retirement systems, an opportunity existed to improve member benefits without having to increase contributions paid by members or their employers. These improvements were designed to recruit and retain educators to accommodate California's increased demand for teachers.

Not only were future benefits increased, but an ad hoc benefit increase for educators already retired was granted, as well as a minimum benefit level for long-retired members.

Moved Recently?

Keep Your Information Up to Date

Have you moved recently? Make sure CalSTRS has your current mailing address and telephone number to avoid delays in benefits or communications.

Submit address changes on the *Address Change Request* form, available at CalSTRS.com/publications. You can also make address changes using *myCalSTRS* at CalSTRS.com.

In addition, be sure your beneficiary form is up to date. To make a change, submit a new *Recipient Designation* form, available at CalSTRS.com/publications or by calling 800-228-5453.



The dust from the financial fallout hasn't quite settled,
but we appear to be beyond the worst of it.

CalSTRS Resources

WEB	CalSTRS.com Click <i>Contact Us</i> to e-mail 403bCompare.com www.Pension2.com www.CalSTRSBenefits.us
CALL	800-228-5453 7 a.m. to 6 p.m. Monday through Friday 866-384-4457 Home Loan Program 888-394-2060 CalSTRS Pension2® Personal Wealth Plan
WRITE	CalSTRS P.O. Box 15275 Sacramento, CA 95851-0275
VISIT	Member Services 100 Waterfront Place West Sacramento, CA 95605
FAX	916-414-5040

GO GREEN WITH PENSION2® AND RECEIVE A FREE GIFT

Help spread the word about CalSTRS Pension2 personal wealth plan, a supplemental savings program that offers 403(b), Roth 403(b) and 457 plans. Our 15 Easy Choice Portfolios are designed to match your risk tolerance with your time horizon. Or you can Build Your Own Portfolio by choosing from 22 professionally selected investments from Vanguard, Dodge & Cox, American Funds, TIAA-CREF and others.

Pension2 offers low fees and expenses, so you can keep more of your hard-earned retirement income. You do not pay commissions, front or back end load fees, or surrender charges typical of most vendors. You also receive unbiased advice on investment planning services at no additional cost.

Why Wait?

For a limited time, Pension2 is offering a free briefcase to new enrollees and a free tote bag to anyone who rolls over existing tax-deferred accounts to Pension2.

Don't wait—invest in your retirement today with CalSTRS Pension2. Call 888-394-2060 or e-mail Pension2@CalSTRS.com to learn more.

