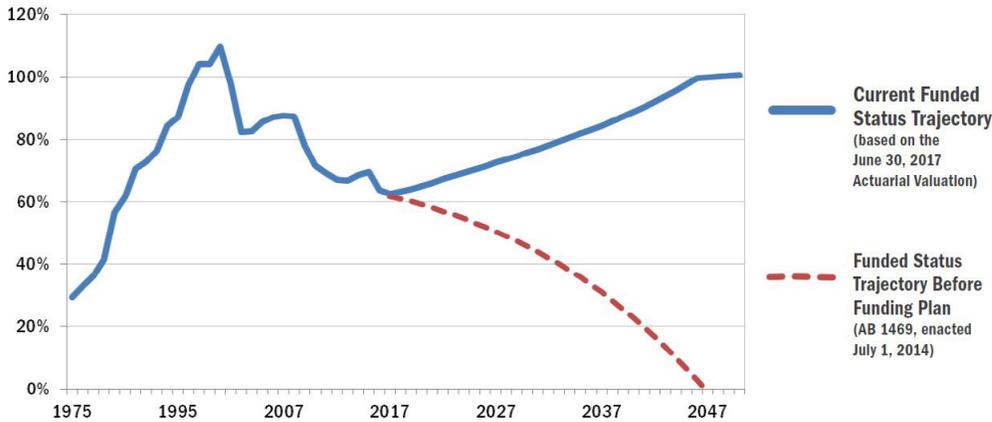


CalSTRS Funded Status (Historical and Projected):



Actuarial Valuation Report Released

CalSTRS continues forward progress toward long-term funding goal

The Teachers' Retirement Board was presented with the results of the [June 30, 2017, actuarial valuation](#) for the Defined Benefit Program, providing a snapshot-in-time of the system's financial health, in addition to monitoring the system's funding status and its ability to meet long-term commitments.

"The results of the valuation were directly in line with our expectations following the board's adoption of new assumptions in early 2017. The funding plan is operating exactly as it was designed, with predictable and gradual rate increases that are shared among members, employers and the state," said CalSTRS Chief Executive Officer Jack Ehnes.

CalSTRS actuarial consultant, Milliman, reports that the unfunded actuarial obligation, known as the funding gap, increased from \$96.7 billion to \$107.3 billion as of June 30, 2017.

The increase was anticipated and occurred primarily due to the lowering of the investment return assumption from 7.25 percent to 7.0 percent. This change also contributed to the slight reduction in the system's funded ratio from 63.7 percent to 62.6 percent.

Additional key points include:

- CalSTRS 2% at 62 members will see a rate increase of 1.0 percent of payroll, adjusting from 9.205 percent to 10.205 percent on July 1, 2018.

These members were first hired on or after January 1, 2013, under the Public Employees' Pension Reform Act (PEPRA) and are required by law to pay at least one half of the normal cost of their defined benefit pension. Normal cost is the annual cost that is necessary to adequately fund the benefit over time.

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Board Orders Active Engagement with Gun Retailers

CalSTRS unveiled a plan to ratchet up engagement with retailers of firearms that are illegal in California.

The unanimously [approved plan](#) authorizes CalSTRS to make firearms engagement activities a top priority by publically engaging companies and potentially recommending that the board consider divestment if engagement efforts fail.

"Unlike other engagements, where CalSTRS practices a quiet diplomacy, this plan advances a more public

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Board News:



Joy Higa Reconfirmed

Joy Higa has been reappointed by Governor Jerry Brown to a second term on the board and reconfirmed by the State Senate. Ms. Higa is the vice president, regulatory affairs, for UnitedHealthcare's West and Central Regions, where she manages relationships and policy activities. She previously served as deputy chief of staff to the state controller and chief deputy cabinet secretary in the Office of the Governor. She received her B.A. from Cornell University. Ms. Higa serves as vice chair of three standing committees: Investments, Benefits & Services and Audits & Risk Management.



Karen Yamamoto Confirmed

Karen Yamamoto, the retiree representative to the board, has been confirmed to her appointment by the State Senate. Ms. Yamamoto is a retired elementary school teacher from West Sacramento. Ms. Yamamoto taught second grade for 15 years and retired in 2007. She was a member of the California Department of Education's Curriculum Development and Supplemental Materials Commission from 1999-2003, acting as chair in 2003. Prior to beginning her career as an educator, Ms. Yamamoto also served as a legislative assistant in the California State Legislature. She serves on the Appeals, Benefits & Services, Board Governance and Investment committees.

Dana Dillon

Board Chair, K-12 Classroom Teacher

Sharon Hendricks

Vice Chair, Community College Faculty

John Chiang

Ex-Officio Member, State Treasurer

Michael Cohen

Ex-Officio Member, Director of Finance

Joy Higa

Public Representative

Harry M. Keiley

K-12 Classroom Teacher

Paul Rosenstiel

Public Representative

Tom Torlakson

Ex-Officio Member, State

Superintendent of Public Instruction

Nora E. Vargas

School Board Representative

Karen Yamamoto

Retiree Representative

Betty Yee

Ex-Officio Member, State Controller

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Actuarial Valuation Report Released

Additional key points of the June 30, 2017, valuation include:

- Contribution rates for CalSTRS 2% at 60 members will remain at 10.25 percent of pay.
- Employer rates are currently adjusting upward, as per the predictable schedule set by statute in the passage of the [funding plan](#).
- Per the funding plan, [employer contribution rates](#) will rise to 16.28 percent on July 1, 2018, and will reach 19.1 percent of payroll in July 2020.
- The State of California's rate, currently set at 9.328 percent of payroll, will increase by 0.5 percent of payroll on July 1, 2018, to 9.828 percent. This includes the 2.5 percent of payroll the state contributes to the Supplemental Benefit Maintenance Account.
- Additional earnings credits were declared for the Defined Benefit Supplement and Cash Balance Benefit Programs.
- The one-time death benefit was increased by 3.4 percent, from \$6,163 to \$6,372, for Coverage A and all retired members.

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Board Orders Active Engagement with Gun Retailers

approach to leverage the public pressure that has been mounting in this country in response to gun violence," said Harry Keiley, Chair of the Investment Committee.

The plan revises the 2018 Corporate Governance Engagement Plan; requires a public engagement strategy; authorizes additional staff resources; and directs staff to report back to the Investment Committee on its progress.

CalSTRS has been one of the nation's first and most vocal pension funds to address the issue of gun violence. Following the Sandy Hook Elementary School massacre in December 2012, the Investment Committee directed staff to begin the divestment process with the two publicly traded U.S. companies within the CalSTRS portfolio that manufacture weapons illegal for sale in California. In April of 2013, the board authorized divestment from Sturm Ruger and Smith and Wesson. And in June 2015, CalSTRS exited an interest in Remington Outdoors, which was part of a private equity investment with Cerberus.

Despite these actions, gun violence has continued. CalSTRS was touched when three CalSTRS members were among the 58 victims of the October 2017 Las Vegas concert shooting.

CalSTRS Expands Member Educational Services

The educational services provided through CalSTRS' six regional member service centers (MSCs) are focused on ensuring members at all stages of their careers have an understanding of the value of CalSTRS defined benefit pension as well as the importance of supplementing that benefit with voluntary savings.

CalSTRS MSCs offer an array of financial education services, including workshops, outreach events, conferences and consultations over the phone or in person. This past year, staff at the MSCs conducted:

23,103
one-on-one and
group benefits
planning sessions

12,189
front counter
contacts

9,487
workshops

1,237
telephone benefits
planning sessions

According to CalSTRS' most recent membership-wide Retirement Experience Survey Report, members find benefits specialists to be the most helpful CalSTRS resource. In recognition of the value members place on these interactions, CalSTRS expanded MSC hours and began hosting member events on some Saturdays.

Each MSC offers a Defined Contribution Benefit Specialist to provide unbiased information regarding voluntary retirement savings options. Over the first half of this year, educational services were provided to over 2,000 members under the age of 45. These services are focused on encouraging members in this demographic to consider supplementing their regular pension with defined contribution savings.

CalSTRS is also leveraging technology to reach younger members. In fact, a recently produced [new member video](#) focuses on educating them about their pension and what CalSTRS does. Another feature, a "New CalSTRS Member" page on CalSTRS.com, is under construction. For a link to an MSC near you, [go here](#).

**Next board meeting dates:
July 18–20, 2018, West Sacramento**

View [minutes](#), [full items](#) and [video archives](#) of past meetings.

CALSTRS

California State Teachers' Retirement System | P.O. Box 15275 | Sacramento, CA 95851-0275

For more information on board meeting items and video archives, visit www.CalSTRS.com/teachers-retirement-board