

## CalSTRS Funding Plan Remains on Track

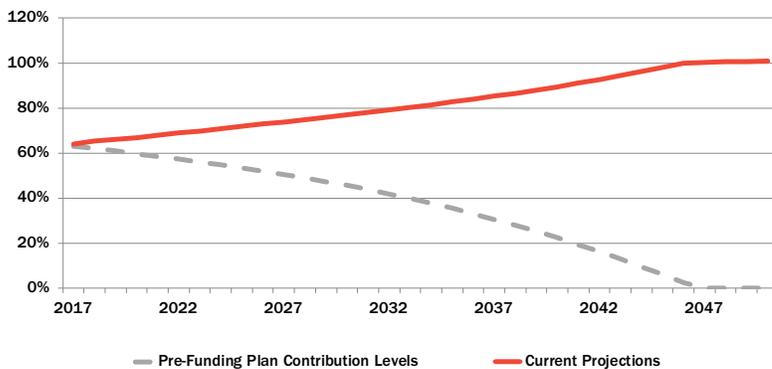
The Teachers' Retirement Board was presented with several updates regarding the long-term funding of CalSTRS. These updates included the June 30, 2018, actuarial valuation for the Defined Benefit (DB) Program, which provides a snapshot-in-time of the system's financial health and its projected ability to meet long-term commitments. The board was also presented with a draft report to the Legislature on the progress of the CalSTRS Funding Plan, which is required by statute and will be the first report since the enactment of the funding plan.

"The results of the valuation were directly in line with our expectations. As demonstrated in the report, the funding plan is operating exactly as designed with predictable and gradual rate increases that are shared among members, employers and the state," said CalSTRS Chief Executive Officer Jack Ehnes.

The unfunded actuarial obligation, known as the funding gap, remained stable, decreasing from \$107.3 billion to \$107.2 billion as of June 30, 2018, and the system's funded ratio improved, increasing from 62.6 percent to 64.0 percent. This improvement was the result of better-than-assumed investment performance in fiscal year 2017–18.

## CalSTRS Projected Funded Status

Reflecting 9% Investment Return in 2017–18



Additional key points include:

- The funding plan is working, and the CalSTRS DB Program is on the path toward full funding by 2046.
- Contribution rates for CalSTRS members will remain unchanged for fiscal year 2019–20.
- Employer rates are gradually increasing per the schedule set by statute by the funding plan. The employer contribution rate will increase to 18.13 percent on July 1, 2019.

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## Governor Appoints William A. Prezant to Teachers' Retirement Board

On March 26, Governor Gavin Newsom announced his appointment of William A. Prezant to the Teachers' Retirement Board as a public representative.

Mr. Prezant brings a wealth of experience to the board as a member of the boards of Hambrecht Partners Holding, an asset management and financial services firm; Whittier Trust of Nevada, a trust and asset management services firm; MacGregor Golf Company; and, MacroH USA, a media technology company. The board will also benefit from Mr. Prezant's private equity and real estate portfolio advisory experience. He presently serves as a strategic advisor to the private equity firm, 5P Investment Partners, and he is a partner in the law firm Prezant & Mollath.

Mr. Prezant holds a Bachelor of Arts from the University of Southern California and a Juris Doctorate from Georgetown Law Center. He is admitted to practice law in California, Nevada and Colorado. Mr. Prezant's appointment is subject to Senate confirmation.

## Board Elects Chair, Vice Chair

During the May board meeting, Sharon Hendricks was elected as board chair and Harry Keiley as vice chair for the [2019–20 term](#). The board nominates and elects its chair and vice chair annually and newly elected officers assume their posts immediately.

## Board Members

Sharon Hendricks  
**Chair**

Harry M. Keiley  
**Vice Chair**

Dana Dillon  
**K-12 Classroom Teacher**

Keely Bosler  
**Ex-Officio Member, Director of Finance**

Joy Higa  
**Public Representative**

Fiona Ma  
**Ex-Officio Member, State Treasurer**

William Prezant  
**Public Representative**

Tony Thurmond  
**Ex-Officio Member, State Superintendent of Public Instruction**

Nora E. Vargas  
**School Board Representative**

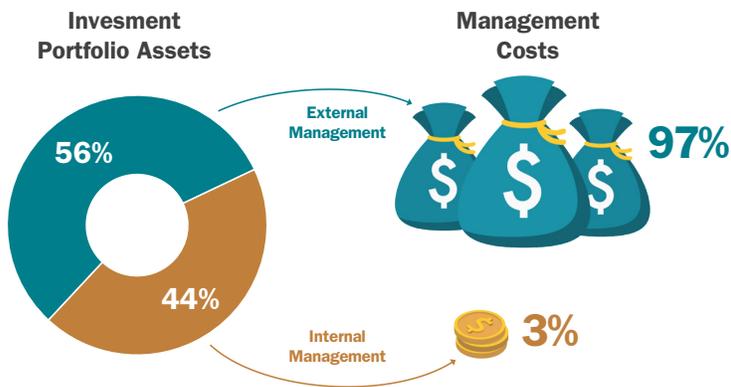
Karen Yamamoto  
**Retiree Representative**

Betty Yee  
**Ex-Officio Member, State Controller**

## Board Expands Implementation of the Collaborative Model for Investments

The board received a presentation on the implementation of the CalSTRS “Collaborative Model.” The CalSTRS Collaborative Model is an internally-led approach to engaging in the investment marketplace. This approach enables CalSTRS to embrace partnership and collaboration with world-class investment institutions, along with building direct investing capabilities to achieve the benefits of internally-managed assets. This model intends to reduce costs, increase investment returns, control portfolio risk and expand investment opportunities.

### Internal Asset Management Is Cost Efficient



Moving investments in house will create significant savings for the fund. Currently, 45 percent of CalSTRS public assets are managed internally, or directly. The total cost of managing these assets internally is a small fraction of externally managed assets, as shown in the graphic above.

The CalSTRS Collaborative Model is about being a world class investor with the staff, internal infrastructure and global partners to support the CalSTRS mission: securing the financial future and sustaining the trust of California’s educators. CalSTRS Chief Investment Officer Christopher J. Ailman describes the CalSTRS Collaborative Model as “an evolution, not a revolution.” Over the next several years, the evolution will continue as we execute established strategies across asset classes.

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- The state contribution rate, currently set at 9.828 percent of payroll, will increase by 0.5 percent of payroll on July 1, 2019, to 10.328 percent. This includes the 2.5 percent of payroll contributed by the state to the Supplemental Benefit Maintenance Account. For more information on contribution rates to CalSTRS, see [CalSTRS’ Funding Plan Fact Sheet](#).
- The actuarial valuations and report did not reflect the supplemental payments proposed by Governor Newsom’s 2019–20 Budget. If enacted, these payments will provide additional funds to CalSTRS to reduce the UAO of the system and reduce short- and long-term contribution rates for employers and the state.

## CalSTRS Board Provided Update on the CalSavers Retirement Savings Program

On May 10th, the board was presented with an update on the status of CalSavers (formerly “Secure Choice”), the state’s new retirement savings program for private sector workers who lack access to a retirement plan through their employer. CalSavers will be open for enrollment on July 1, 2019.

While CalSTRS members are not the target audience for CalSavers, odds are that our members know someone who will have a new opportunity to save for retirement through the program. CalSavers is a voluntary Individual Retirement Account (IRA) program designed to be simple, low-cost and portable. CalSavers accounts are professionally managed by financial services experts, and the program comes at no cost to employers or taxpayers. This program will enable millions of Californians to contribute to their retirement automatically from their paycheck.

Please help us share the news about this new opportunity for fellow Californians to get on a path to retirement security. For more information, visit [CalSavers.com](http://CalSavers.com) or follow on Twitter [@CalSavers](https://twitter.com/CalSavers).

#### Next board meeting dates:

- July 10-12, 2019, West Sacramento
- September 4-6, 2019, West Sacramento

For board [minutes](#), [full items](#) and [video archives](#) of past meetings, go [here](#).

# CALSTRS

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For more information on board meeting items and video archives, visit [www.CalSTRS.com/teachers-retirement-board](http://www.CalSTRS.com/teachers-retirement-board)