

# Connections

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CaSTRS MEMBERS



## Longevity Bonus Ending Soon

As specified in the 2000 legislation that created the longevity bonus, eligibility for the bonus is scheduled to end on December 31, 2010. This change could affect your retirement if you're close to earning 30 years of service credit. You don't have to retire by December 31, 2010, to qualify for the longevity bonus, but you must have at least 30 years of earned service credit by that date. If you meet the requirements by the sunset date, you may continue to work, retire at a later date, and still receive the bonus at retirement.

### Specific Dollar Amount Added to Your Retirement Benefit

The longevity bonus adds a specific dollar amount to your monthly Member-Only Benefit if you have at least 30 years of earned service credit by December 31, 2010. If you're retiring with an option beneficiary, your bonus will be reduced by the same option factor that applies to your regular benefit.

Service credit earned:	Amount added to Member-Only Benefit at Retirement:
30 years	\$200
31 years	\$300
32 or more years	\$400

### You May Purchase Time to Qualify

If you don't think you'll have earned 30 years of service credit by December 31, 2010, you may be eligible to *purchase*

certain types of service credit to get you there. There are two types of service credit you may be able to purchase for the purposes of qualifying for the longevity bonus:

- **Redeposit:** This restores service credit you lost if you left public school employment, took a refund and then returned to teaching.
- **Permissive Service:** This includes a leave of absence due to maternity or paternity leave, employer-approved sabbatical leave, out-of-state or foreign school service, nonmember service, family medical leave, Fulbright leave and other purchasable service listed in *Purchase Additional Service Credit*, available at [CalSTRS.com/publications](http://CalSTRS.com/publications).

*Note:* Nonqualified service, also called "air time," is not based on any previous service and does *not* count toward qualifying for the longevity bonus.

If you purchase or redeposit service credit to qualify for the longevity bonus and you pay for your purchase through monthly installment payments, your service purchased to date based on the amount of payments you've paid will be prorated as of December 31, 2010, and will be used to determine if you qualify for the longevity bonus. If your prorated service results in 30 years of service credit as of December 31, 2010, you will be entitled to the longevity bonus upon retirement.

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## SPECIAL INSERT:

- 2009 Summary Report to Members

# Seize the Opportunity: Learn about Your Retirement

By Dana Dillon  
CalSTRS Board Chair



The gloomy state of California's economy has brought the topic of public pensions to the forefront of public and political conversation. The ongoing and sometimes threatening debate can be challenging, but it also presents us with an opportunity to educate new and long-time members about retirement in general and CalSTRS in particular.

## Retirement Knowledge Important at Any Age

One danger in a pension debate is that only those over 50 years of age will participate. Consider how difficult it has been to get younger teachers to think about retirement. A new teacher's answer to the question, "What do you know about CalSTRS?" is often "Only that they take some money out of my check every month."

When younger teachers, as well as older ones, join the debate about which pension plan is best for them, they learn much more about their personal retirement options. Many teachers will better understand their CalSTRS program—not only that its lifetime benefit formula is based on age, salary and years of service but also that the program provides their death and disability benefits. This deeper knowledge will help everyone to make better retirement decisions.

Another danger in discussing pension policy is its potential to divide us—to pit the old against the young in a struggle over finite resources. To turn this into an opportunity, we need to remember that at least one of the demographic changes driving the debate is about longer life expectancies.

Across the globe, people are living longer. Americans are going to have to decide whether this increased life expectancy should change how long we work and at what age we retire. In 1940, the average retirement age was 68. Now, more than three-quarters of workers retire before they are 65, yet Americans turning 65 this year can expect to live, on average, to 83—four and a half years longer than in 1940. By 2040, the average 65-year-old American will live to be about 86.

For teachers, too, the question of when to retire is huge. The job of teaching is as difficult now as it has ever been. But as a group, retired teachers continue to live longer than retirees from other occupations. Every month at CalSTRS, when I sign a batch of letters congratulating eight to ten retirees on reaching their 100th birthday, I worry about how well they are managing with retirement checks based partially on salaries from nearly 50 years ago. Yet, at least once a month, an active teacher asks me if there's any chance CalSTRS will lower the age for full retirement.

## Learn All You Can

Teachers need to seize every opportunity to learn all they can about retirement. The greatest danger is ignorance—at any age. Whether you're new to teaching or a seasoned veteran, CalSTRS can help you plan your financial future. Attend a CalSTRS workshop to establish a foundation of knowledge about your benefits and learn how to make the most of them. Free workshops are held throughout the state. To register, go to [CalSTRS.com/workshops](http://CalSTRS.com/workshops) or call 800-228-5453.

### CalSTRS Mission:

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

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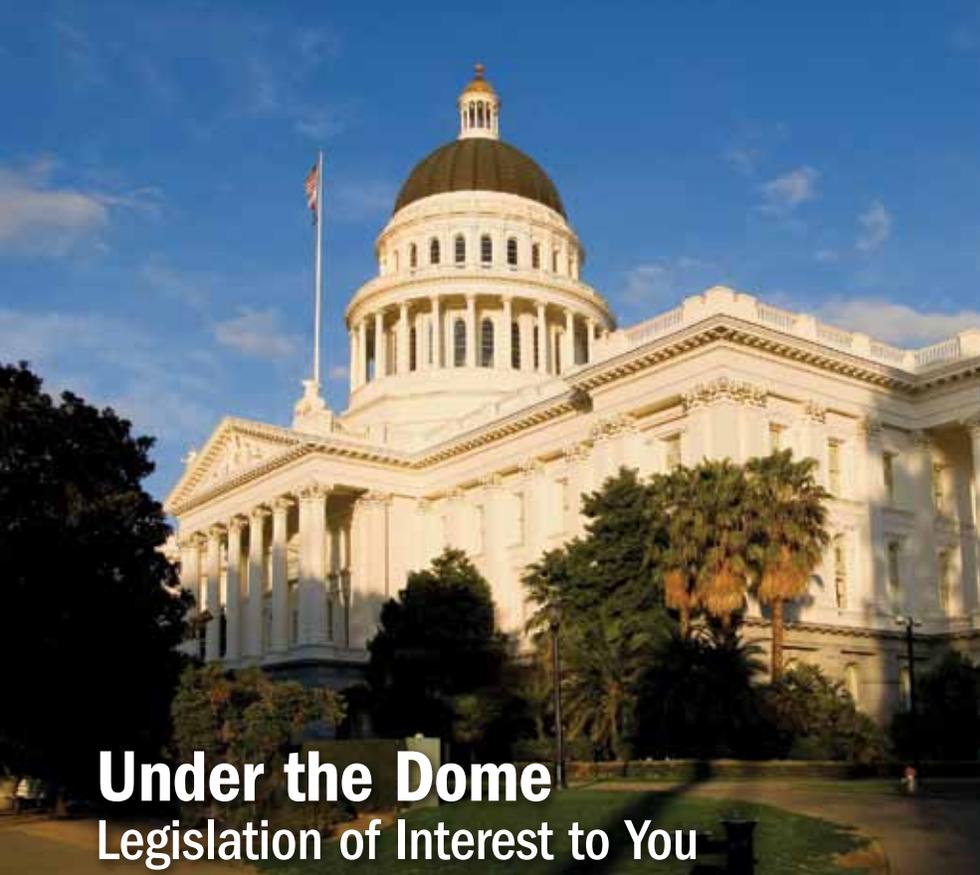
Statements in this publication are general and the Teachers' Retirement Law is complex and specific. If a conflict arises between information contained in this publication and the law, any decisions will be based on the law.

*CalSTRS Connections* is published twice a year for members of the California State Teachers' Retirement System. Send your comments or suggestions to:

Editor, Communications,  
MS #34  
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Sacramento, CA 95851



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## Under the Dome Legislation of Interest to You

The following is a summary of two chaptered bills from 2009 that were sponsored by the Teachers' Retirement Board.

### **The Way Interest Is Charged and Defined**

Assembly Bill 654 changes the interest rate charged on penalties, redeposits of previously withdrawn contributions, service credit purchases and retirement incentives to be equal to the assumed CalSTRS rate of return on investments as of July 1, 2010. The interest rate is anticipated to increase from 4.75 percent to 8 percent. The bill also establishes a consistent way for CalSTRS to charge interest and penalties when employers are late making contributions or sending reports.

*(Chapter 249, Statutes of 2009)*

### **Working After Retirement**

Assembly Bill 506 conforms to federal law, which prohibits pension plans from distributing benefits before either the normal retirement age or a separation from service. As of July 1, 2010, the bill requires retired members who are under the normal retirement age of 60 to have their retirement benefit reduced by any amount earned in CalSTRS-covered employment for the first six calendar months following their retirement or until their 60th birthday, whichever is sooner. In addition, it extends the sunset dates for postretirement earnings limit exemptions to June 30, 2012, and prohibits retirees from receiving an emergency exemption for administrative positions they vacated. *(Chapter 306, Statutes of 2009)*

For more information, visit [CalSTRS.com/legislation](http://CalSTRS.com/legislation).

## Partial Lump Sum Window Closing

**T**he window of opportunity to receive a portion of your Defined Benefit as a lump-sum payment is closing soon. Until December 31, 2010, members have the choice to receive a partial lump sum in exchange for a permanent reduction in their monthly allowance.

If you want to receive a partial lump sum, you must retire on or before December 31, 2010. If you choose to take a partial lump-sum payment, you must submit your application before your retirement effective date.

The amount of the lump-sum payment will differ from person to person, depending on age, earnings and years of service credit at retirement, but will be the lesser of:

- 15 percent of the lifetime value of your retirement benefit, or
- The lifetime value of your benefit in excess of an amount equal to 2 percent of your final compensation multiplied by your years of service credit and divided by 12.

If you choose to take a partial lump-sum payment, you can either have it paid to you directly or rolled over to a qualified plan. A rollover must be done through a trustee-to-trustee transfer to a qualified plan, such as a 403(b), 457, or a traditional or Roth IRA.

For more information, call 800-228-5453 or visit [CalSTRS.com/calculators](http://CalSTRS.com/calculators) to estimate the partial lump-sum amount you can receive.



## CalSTRS Two-Year Retirement Incentive Restrictions

### Supplement Your Retirement with CalSTRS Pension2®

The CalSTRS Pension2 personal wealth plan is a supplemental savings program that offers Roth IRAs, as well as 403(b), Roth 403(b) and 457 plans.

Fifteen Easy Choice Portfolios combine risk tolerance and retirement income needs. You can also build your own portfolio by choosing from professionally selected investment options 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 will also get unbiased advice and planning services at no additional cost.

Call Pension2 today at 888-394-2060, e-mail [Pension2@CalSTRS.com](mailto:Pension2@CalSTRS.com) or visit [www.Pension2.com](http://www.Pension2.com) to learn more.

If you are considering accepting two additional years of CalSTRS service credit as a retirement incentive through your employer, you should be aware of the incentive's employment restrictions.

Members who receive two additional years of service credit are not permitted to work for the employer from which they received the incentive for five years from their retirement date. This includes *any* kind of post-retirement employment—full-time, part-time, substitute teaching, third-party consulting and so on, even if the service is just one day.

Members who violate this restriction will:

- Forfeit the incentive.
- Have their benefit recalculated from their retirement date forward without the two additional years of service credit.
- Owe CalSTRS for the increased benefit they received associated with the incentive.

Also, members who retire under the CalSTRS incentive program and later reinstate to active membership forfeit the additional service credit.

You should also be aware of the following:

- The governing board of the employer must take formal action to offer the retirement incentive prior to the incentive window period.
- If the employer wishes to amend a window period, the governing board must take formal action to do so prior to the incentive window period.
- Incentive window periods must be at least 60 calendar days and no more than 120 calendar days long.
- Members must retire with CalSTRS within the window period.
- Employers may not impose additional eligibility provisions (such as requiring members to have 10 years of service with the employer) as a condition for receiving the two additional years of service credit with CalSTRS.

If you have any questions regarding the CalSTRS two-year retirement incentive program, contact CalSTRS at 800-228-5453.

# Plan Your CalSTRS Retirement

**A** CalSTRS retirement application must be processed by CalSTRS before you can receive your retirement benefit. Plan ahead and use the following timeframes as a guideline to ensure that you receive your CalSTRS retirement benefit in a timely manner.

## Step 1

- 10-12 months before your retirement date:
- Plan and research your retirement decisions. Obtain and review the following publications:
  - » *Member Handbook*
  - » *Your Retirement Guide*
- Attend a CalSTRS Retirement Check-Up workshop.
- Meet with a CalSTRS benefits counselor.

## Step 2

- 6 months prior to the last day of the month in which you wish to retire:
- Complete, sign and submit your retirement application, the Express Benefit Report and any other optional forms. CalSTRS must receive your completed application:
  - » No earlier than six months prior to your retirement date.
  - » No later than the last day of the month in which you retire.

## Step 3

Within 45 days after your retirement or the date your application is received, whichever is later:

- CalSTRS sends an acknowledgement letter informing you that your application has been processed.
- CalSTRS sends an award letter informing you of the benefit payment amount you will receive.
- CalSTRS sends your initial benefit payment.

## Purchasing Service Credit

Contact CalSTRS Accounts Receivables unit 45 days before retirement if you are in the process of purchasing or redepositing service credit to:

- Pay off your balance if you wish to complete the purchase.

- Receive credit for the payments you have made.
- Request a refund of your payments.
- Confirm completion of your service credit purchase.

## Resources to Help You Retire

- Read the *Member Handbook* and *Your Retirement Guide*, both available at [CalSTRS.com/publications](http://CalSTRS.com/publications).
- Calculate your monthly benefit using the online calculators at [CalSTRS.com/calculators](http://CalSTRS.com/calculators).
- Seek counseling:
  - » In Person – Benefits counselors are available to assist you with retirement planning. Interviews are scheduled approximately four weeks in advance. Interviews may be scheduled at 30 convenient locations throughout the state by making an appointment through your local counseling office.
  - » Telephone – Schedule a telephone interview by calling 800-228-5453 and select number three from the main menu.
  - » Workshops – CalSTRS offers workshops to help you understand the CalSTRS benefits available to you. Each workshop is designed to meet the needs of educators at different career stages. Register online or call your local counseling office. Visit [CalSTRS.com/counseling](http://CalSTRS.com/counseling) for more information.

## Important Tips to Remember

- Applications submitted during peak season, April through July, may experience a delay in processing. Be sure to submit your application early but no more than six months before your retirement date.
- To secure your retirement date, CalSTRS must receive your Service Retirement Application no later than the last day of the month in which you retire.
- CalSTRS counseling appointments provide clarifying information that will help you make informed decisions when you retire.

# Defined Benefit Supplement Account Contributions to Change

Currently you contribute 8 percent of your salary to CalSTRS—6 percent is credited to your Defined Benefit account and 2 percent is credited to your Defined Benefit Supplement account.

Starting January 1, 2011, CalSTRS will credit the entire 8 percent of your monthly contribution to your Defined Benefit account, and you will no longer make regular contributions to your Defined Benefit Supplement account. This change was specified at the time the Defined Benefit Supplement was established in 2000, and is not related to the current funding shortfall in CalSTRS Defined Benefit program.

This change does not impact other contributions to your Defined Benefit Supplement account. Members who earn more than one year of service credit in a single school year will continue to contribute to their Defined Benefit Supplement accounts.

This change does not affect the funds currently in your Defined Benefit Supplement account, which will continue to earn interest until you withdraw them at retirement or refund your account.

## Summer School Likely to Increase Supplemental Account

If you work an entire school year full-time, which equals one year of service credit, extra service from teaching summer school in the same school year will put more money into your Defined Benefit Supplement account. That means more funds will be available when you retire.

As a CalSTRS Defined Benefit member, you've had a Defined Benefit Supplement account since 2001. When you earn more than one year of service credit in a school year, any excess CalSTRS contributions from both you and your employer go into this account. A total of 16 percent of your pay (8 percent from you and 8 percent from your employer) for any extra service will accumulate, with interest, for you to use when you retire or terminate your public school employment.

If you haven't yet earned a full year of service credit this fiscal year, your summer school service up until June 30 will count toward earning a full year of service credit. Summer school duties after June 30 will count towards your service credit for the next fiscal year. Although such service won't increase your supplemental account, you are still helping to build a secure financial future by adding to your total service credit. The more service credit you have when you retire, the higher your retirement benefit will be.

In rare cases, near the end of your career, working additional assignments at lower, summer school pay rates might impact your final compensation. For more information, talk to a CalSTRS benefits counselor. To find your local counseling office, visit [CalSTRS.com/counseling](http://CalSTRS.com/counseling).



# 2009 Summary Report to Members

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

*This summary provides important details regarding your retirement fund.*

*This past year the Teachers' Retirement Fund lost significant value from a high in 2008. We're not alone—like other investment portfolios, the CalSTRS portfolio was not immune to the global financial market turmoil. Proactive steps taken at the height of the crisis have helped prepare CalSTRS for the emerging economic recovery.*

## Our Mission

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

## Global Downturn Affects CalSTRS Assets

### Investment Earnings Fall, Benefits Still Secure

(Dollars in Billions)



### Teachers' Retirement Fund Statement of Changes in Fiduciary Net Assets

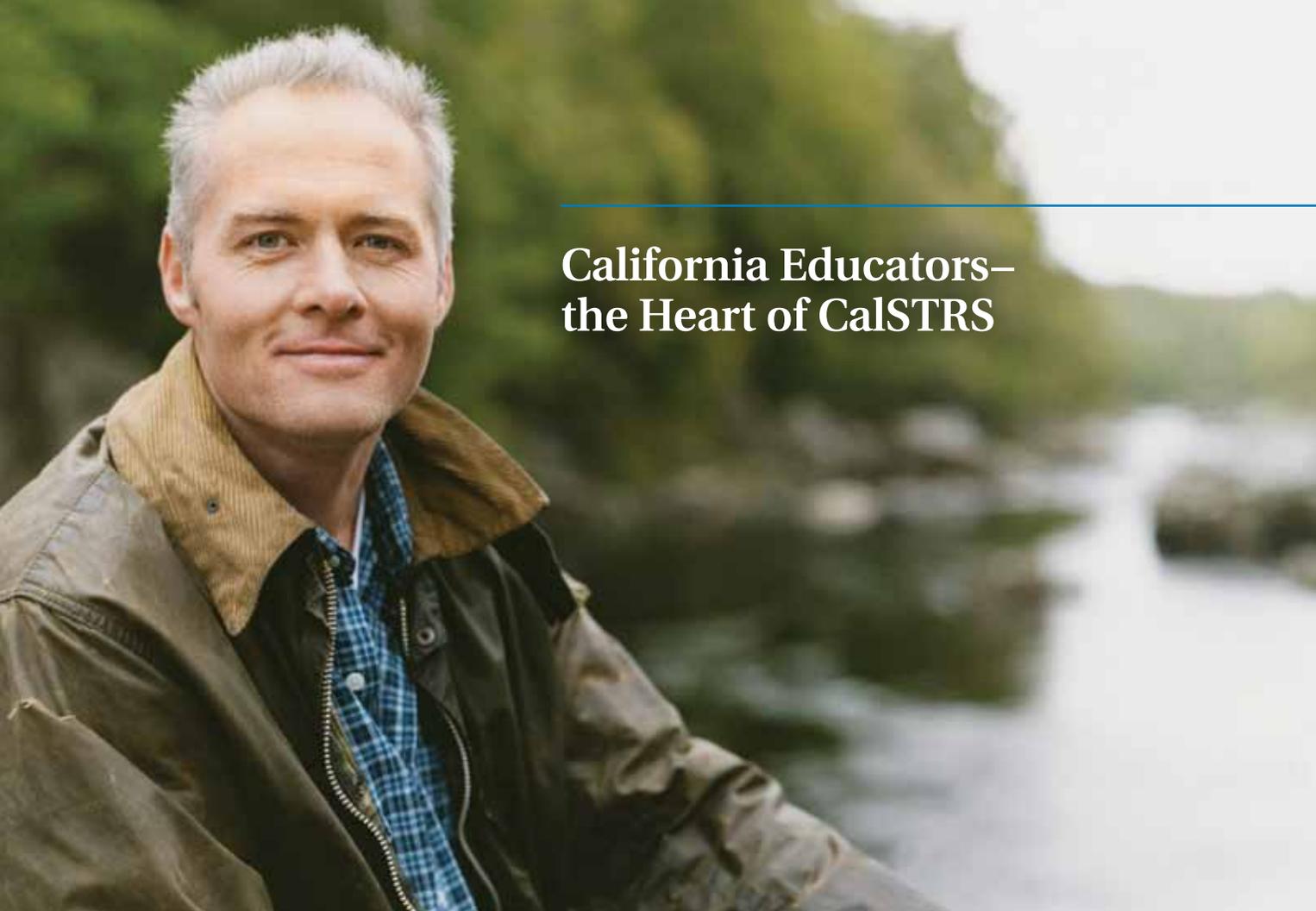
(Dollars in Thousands)

For the fiscal years ended June 30, 2009, and 2008.

	2009	2008
Net Assets Held in Trust, Beginning of Year	161,498,193	172,377,918
<b>Additions</b>		
Contributions (member, employer, State of California, federal government)	6,105,257	6,594,713
Investment Income (loss) <sup>1</sup>	(40,357,698)	(9,655,118)
Other Income	7,528	213,116
<b>Total Additions</b>	<b>(34,244,913)</b>	<b>(2,847,289)</b>
<b>Deductions</b>		
Investment Expense <sup>2</sup>	159,864	208,068
Benefits and Refunds	8,710,053	7,923,318
Administrative Expenses	113,154	109,118
<b>Total Deductions</b>	<b>8,983,071</b>	<b>8,240,504</b>
<b>Net Increase</b>	<b>(43,068,120)</b>	<b>(10,879,725)</b>
<b>Net Assets Held in Trust, End of Year</b>	<b>118,430,073</b>	<b>161,498,193</b>

<sup>1</sup> Net of securities lending cost.

<sup>2</sup> Alternative investment and real estate fees not included: estimated at \$171 million. CalSTRS recovers a portion of management fees on profitable investments.



## California Educators— the Heart of CalSTRS

### Membership Increases in 2009

Fiscal Year	2009	Percent Increase from 2008
Total Membership	847,833	1.74%
Active	459,009	- 0.51%
Inactive	156,207	5.55%
Retired	203,649	3.92%
Disabled	8,380	2.57%
Survivors	20,588	3.78%

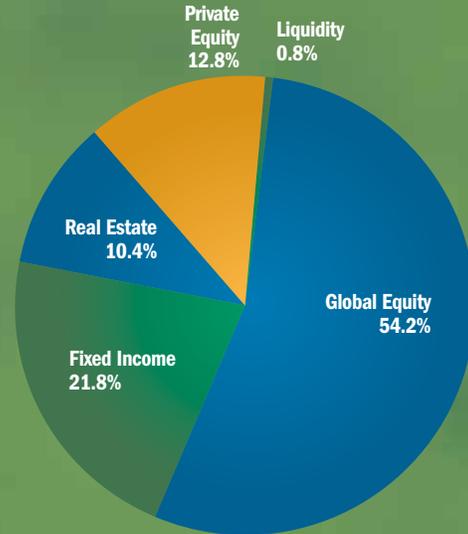
### Average Member Age and Years of Service Stable

Fiscal Year	2009	2008
Average Age	44.8	44.7
Average Years of Service	11.0	10.8
Average Annual Salary	\$64,044	\$63,281

The California State Teachers' Retirement System administers retirement, disability and survivor benefits for California's public school educators and their families from the state's 1,400 school districts, county offices of education, and community college districts.

# Securing Your Financial Future

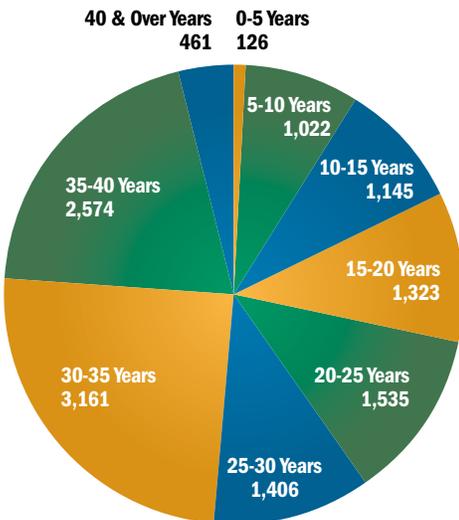
## Diversification Strengthens Portfolio



## Retiring Members Are Experienced Educators

Fiscal Year	2009	2008
Number Retiring	12,753	12,568
Median Age	61.6	61.3
Median Years of Service	29.0	29.0
Average Member-Only Benefit	\$4,396	\$4,239

## Almost Half of 2009 Retirees Have More Than 30 Years of Service



## One-Year Returns

Calculated using a time-weighted rate of return.

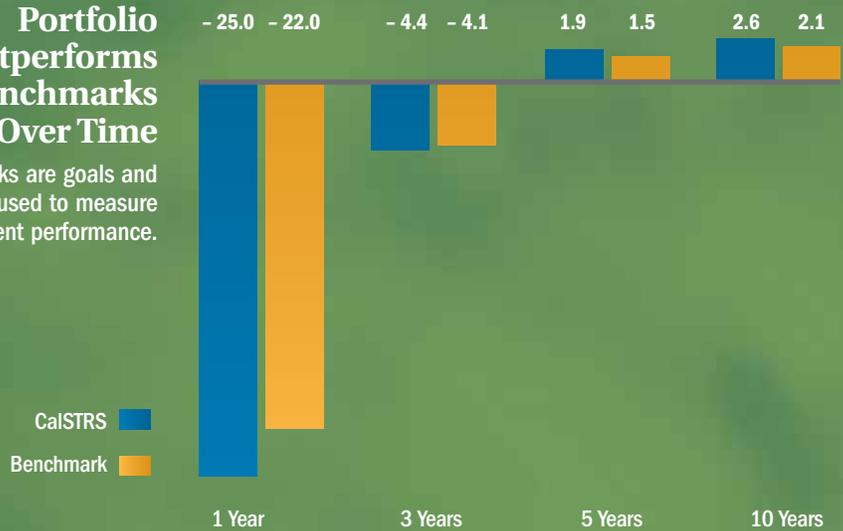


<sup>1</sup>Includes the Securities Lending Program loss incurred in FY 08-09

# Securing Your Financial Future *continued*

## Portfolio Outperforms Benchmarks Over Time

Benchmarks are goals and standards used to measure investment performance.



## CalSTRS Resources

**Web** CalSTRS.com  
Click *Contact Us* 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

CalSTRS Headquarters may experience closures due to ordered furloughs. Please call to confirm business hours.

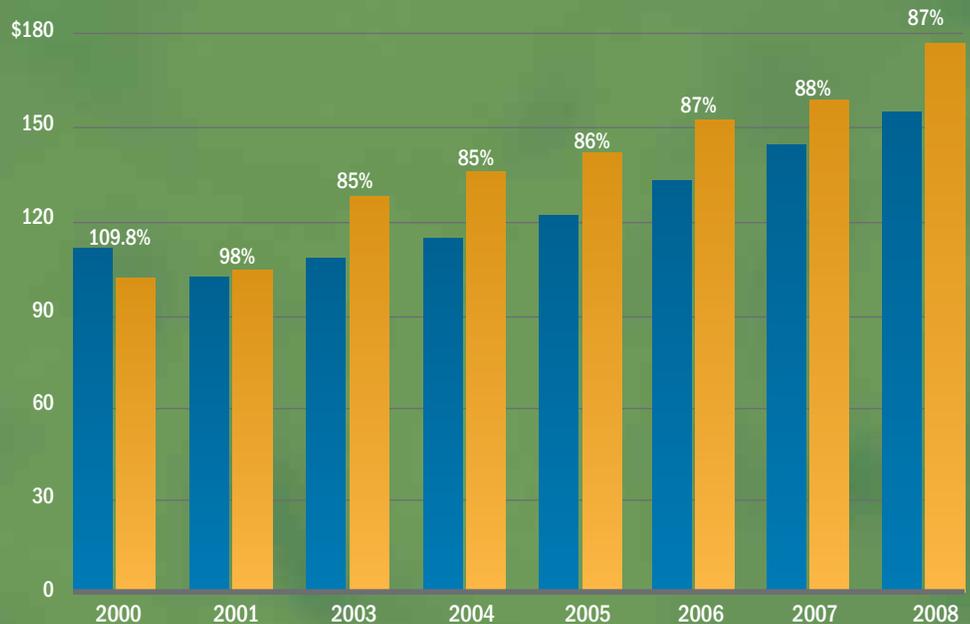
## Funding Ratio

Actuarial Value of Assets as a Percent of Accrued Liabilities, in Billions of Dollars.

This chart illustrates the difference between the actuarial value of assets and the amount needed to pay benefits to current CalSTRS members. The ratio of assets to liabilities shown in this chart 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. No actuarial valuation was performed for June 30, 2002.

The actuarial valuation as of June 30, 2009, will reflect the impact of 2008-09 investment losses on the funding ratio.

■ Actuarial Value of Assets  
■ Accrued Liabilities





## 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](http://CalSTRS.com).

On board meeting days, a link is posted on the [CalSTRS.com](http://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 played during closed sessions and breaks. The Appeals Committee is a closed session and is not covered by the live audio stream because of the confidential and sensitive 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](mailto: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](http://CalSTRS.com) (select *Learn about CalSTRS*, then *Teachers' Retirement Board*).

## LONGEVITY BONUS ENDING SOON

*continued from page 1*

If you make your purchase or re-deposit with a lump sum or funds rolled over from a qualified financial institution, you must ensure CalSTRS receives your payment prior to December 31, 2010, if the service credit will be used to qualify for the longevity bonus.

### Unused Sick Leave May Count in Some Situations

Additionally, you may count up to two-tenths of a year of unused sick leave to help you qualify for the longevity bonus. However, in order for the unused sick leave to count toward the 30 years, you must retire. This is because unused sick leave is reported by your employer at the time of retirement. In other words, if you find that you will need up to 0.2 years of unused sick leave in order to qualify for the bonus, you must retire by December 31, 2010. If you are in this situation, we strongly urge you to contact CalSTRS prior to making any decisions.

For more information about the longevity bonus or purchasing service credit, consult chapter 6 of the *CalSTRS Member Handbook*, available at [CalSTRS.com/publications](http://CalSTRS.com/publications), or call 800-228-5453.



## CalSTRS Endorses Investors Code of Responsibility

CalSTRS is the first U.S.-based pension fund to endorse a new code of responsibility for institutional investors created by the Institutional Shareholders' Committee.

The code identifies best practices for institutional investors that choose to engage with the companies in which they invest. It also aims to enhance the quality of dialogue between institutional investors and companies to help improve long-term returns to shareholders.

"We believe there is a universal standard for good corporate governance," said Anne Sheehan, CalSTRS director of corporate governance. "It includes transparency and disclosure of activities, and engaging the companies to help maximize their performance—a best practice that we've followed for years."

The CalSTRS governance policies reflect the new code:

- Public disclosure of governance policies.
- Management of conflicts of interest.
- Collaboration with other institutional investors.
- Disclosure of proxy votes.

CalSTRS Corporate Governance policies address leading issues such as proxy access, executive compensation, board diversity and sustainability. As a long-term owner and lender to corporations around the world, CalSTRS duty is to protect those assets through the pursuit of good governance and operational accountability.

The code calls on institutions to publicly state how they apply its principles and disclose what steps they will take to verify compliance. Institutional investors that do not wish to engage must declare that the code is not relevant to them and explain why.

The Institutional Shareholders' Committee is an investor community that includes the Association of British Insurers, the Association of Investment Companies, the Investment Management Association and the National Association of Pension Funds.

## Spring into Retirement

Retiring this year? Need to turn in your CalSTRS retirement forms?

You are invited to a one-day event where CalSTRS benefits counselors will be on hand to accept and review all of your CalSTRS retirement forms. The benefits counselors will also be available to answer any retirement questions you may have. In addition, you will have an opportunity to experience many of the helpful online tools offered at CalSTRS.com.

Please bring your CalSTRS Retirement Progress Report and walk into any of the following three locations on April 24, 2010, from 9 a.m. to noon. No appointment is necessary. Be sure to photocopy all retirement forms before you arrive.

### CalSTRS Headquarters

100 Waterfront Place  
West Sacramento, CA 95605

### Los Angeles County Office of Education

9300 East Imperial Highway  
Downey, CA 90242

### San Diego County Office of Education

6401 Linda Vista Road  
San Diego, CA 92111

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*Your money should work hard for you.*

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investment plans and fees in one convenient location.



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**403bCompare.com**

# Spring Counseling Workshops

CalSTRS will be offering the following workshops at local benefits counseling offices this spring:

April 2010		
4/1	CalSTRS Fundamentals	Santa Monica
4/1	CalSTRS Fundamentals	San Diego
4/3	CalSTRS Retirement Income Management	San Diego
4/5	CalSTRS Retirement Check-up	San Francisco
4/6	CalSTRS Retirement Check-up	Novato
4/7	CalSTRS Retirement Check-up	Carson
4/7	CalSTRS Fundamentals	Porterville
4/7	CalSTRS Retirement Income Management	Redding
4/8	CalSTRS Retirement Income Management	Fresno
4/8	CalSTRS Retirement Check-up	Stockton
4/8	CalSTRS Retirement Check-up	Fountain Valley
4/8	CalSTRS Fundamentals	Strathmore
4/12	CalSTRS Fundamentals	Bakersfield
4/12	CalSTRS Fundamentals	Kingsburg
4/13	Demystifying CalSTRS	Rancho Cordova
4/13	CalSTRS Retirement Check-up	San Diego
4/14	CalSTRS Retirement Check-up	Chico
4/14	CalSTRS Retirement Check-up	Foster City
4/19	CalSTRS Retirement Check-up	Susanville
4/20	CalSTRS Retirement Income Management	Novato
4/20	CalSTRS Fundamentals	San Diego
4/20	CalSTRS Retirement Check-up	Fairfield
4/21	CalSTRS Retirement Check-up	Salinas
4/29	CalSTRS Fundamentals	Azusa
4/29	CalSTRS Retirement Check-up	Marysville
May 2010		
5/1	CalSTRS Retirement Income Management	Bakersfield
5/5	CalSTRS Retirement Check-up	San Diego
5/5	CalSTRS Fundamentals	Salinas
5/6	CalSTRS Fundamentals	Marysville
5/10	CalSTRS Fundamentals	San Francisco
5/11	CalSTRS Retirement Check-up	Rancho Cordova
5/13	CalSTRS Fundamentals	San Diego
5/18	CalSTRS Retirement Check-up	San Diego
5/24	CalSTRS Retirement Income Management	San Francisco
5/27	CalSTRS Fundamentals	San Diego
June 2010		
6/3	CalSTRS Retirement Check-up	San Diego
6/8	CalSTRS Retirement Check-up	Rancho Cordova
6/9	CalSTRS Fundamentals	San Diego
6/9	CalSTRS Retirement Check-up	Sacramento
6/16	CalSTRS Retirement Income Management	Salinas
6/24	CalSTRS Retirement Check-up	San Diego

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# 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 help sort out fact from fiction about your CalSTRS pension.

## **Fact or Fiction: CalSTRS Doesn't Have Enough Money to Pay Benefits**

This is Fiction. 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 state educators.

## **Worldwide Decline Impacts CalSTRS**

From around your block to around the world, the financial crisis of the past year and a half 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 \$133 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.

## **Fact or Fiction: People Currently Teaching Won't Have the Pension Benefit Retired Members Have**

This is Fiction. Current retirement benefits—and the future benefits of those now working in the classroom—are protected by the California and U.S. Constitutions.

There are, however, efforts underway to cut public pension benefits for future employees. These efforts are aimed at reducing future benefits for the next generation of public employees who are not yet hired.

## **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 several 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, CalSTRS had an unfunded liability.

Throughout our 97-year history, we've seen the liability figure go up and all but 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 18 months, when we report on our unfunded liability for fiscal year 2008–09

# The CalSTRS Defined Benefit is guaranteed by the California Constitution.

in the spring, 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 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 required for you to have all the money on hand to pay for it now. What is needed is a plan to pay for it.

## **Fact or Fiction: Your CalSTRS Pension Is Secure**

This is Fact. Your retirement, disability and survivor benefits are guaranteed. The State of California is the guarantor of the benefits payments.

However, the annual 2 percent benefit adjustment for retired members, also known as 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.

## **CalSTRS News**

Keep up-to-date on CalSTRS funding status by visiting [CalSTRSBenefits.us](http://CalSTRSBenefits.us).

Stay current with the latest news regarding CalSTRS investments, corporate governance and many other topics by visiting [CalSTRS.com/newsroom](http://CalSTRS.com/newsroom).

## **CalSTRS Improving Investment Performance**

The severe degree of financial losses CalSTRS experienced during the economic crisis makes it unlikely that future investment returns will be able to remove our unfunded liability. For example, in order to fully fund the Defined Benefit Program in 30 years, investment returns for the next five years would have to exceed 20 percent per year, a rate of return that is 2½ times the assumed investment return.

However, investment returns remain a critical source of funding for the retirement system. Currently, returns make up about 60 percent of the funds required to pay benefits. Contributions from members, employers and the state represent the remainder.

To help deliver better investment performance, we engage companies on a number of topics to strengthen their bottom line. We lobby companies and Congress to maintain progress on climate risk management. We work with companies in our portfolio on policies regarding executive compensation and board diversity.

We look to maximize our performance by promoting best governance practices within the investment portfolio. As the second largest public pension fund in the U.S., we have invested in assets across the spectrum—from domestic and international stocks and bonds to real estate and private equities.

We have a 30-year investment horizon. We need more than an 8 percent return. Over the past 20 years, we have averaged 7.57 percent. In order to exceed 8 percent return, we diversify our allocation by looking for innovation, not additional risk.

While investments alone cannot address our unfunded liability, they remain an integral part of CalSTRS funding. Together, increased contributions and improved investment performance can ensure our ability to deliver the retirement benefits promised to California's public school teachers.

## 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  CalSTRS West Sacramento Headquarters may experience closures due to ordered employee furloughs. Please call to confirm business hours.

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- Ask questions about your accounts and receive prompt, 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.



### CalSTRSBenefits.us

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