

Connections

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS



Study Busts Myth About Cost Burden of Defined Benefit Plans

Your Pension is Well-Managed and Efficient

By Jack Ehnes, CalSTRS CEO

MYTH: Governments and corporations can no longer afford to offer a defined benefit (DB) pension to their employees because promised, lifetime pensions are a financial drain.

If you don't have the facts, you might believe this fabrication, but here's the truth.

TRUTH: Defined benefits, like yours with CalSTRS, can deliver the same level of retirement income to groups of employees at a lower cost than individual 401(k)-type accounts.

Public Pensions Unfairly Blamed for Financial Woes

This myth-busting news may come as a surprise to you because public pensions typically take the blame for some financial woes of municipalities. Dramatic crises like Vallejo's recent bankruptcy or San Diego's near-insolvency a few years ago have been linked, in part, to the cost of public pensions.

Critics loudly question why some workers (many public employees) should receive a guaranteed pension while others (many private sector employees) have to rely on their own uncertain 401(k)-type pensions.

This has led to a call from some people to close participation in defined benefit plans

because they are perceived as too expensive. Sadly, it's a trend that has already taken hold. Watson Wyatt, a worldwide financial management firm, reported recently that more than 75 percent of defined benefit plans have closed to new employees and additional employers expect to try to get rid of them within a decade.

The Fact is a Defined Benefit is More Efficient

Naysayers should take a closer look at the economic efficiencies of defined benefit plans. Defined benefit plans (like yours provided by CalSTRS), in fact, can provide the same level of retirement benefit as a defined contribution (DC) plan (like a 401(k)) at nearly half the cost.

What comes to mind are the pluses for the employees of DB plans. What we also need to understand are the advantages for the employers of DB plans.

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**MYTH
BUSTED**

Seeking Solutions to Rising Health Care Costs

By Dana Dillon
Teachers' Retirement Board Chair



Health care is of interest to nearly everyone, but it's an especially critical issue for educators. Even as a working member of CalSTRS with health care coverage now, you need to consider

what will happen later. Health care's future price tag and availability in retirement is debated locally, nationally and globally.

A survey conducted by CalSTRS in 2006 revealed that 86 percent of public teachers' employers provide no payment for health benefits for retired employees after age 65. This is up from 78 percent of employers surveyed in 2003.

Since no one knows what the future will bring in the health care arena, it is important for you to be aware of the current situation and plan for the future.

CalSTRS' primary focus is to provide a monthly benefit, but it's clear that paying for health care can have a negative impact on the ability of our retired members to maintain their standard of living. Securing your retirement—providing a benefit check and beyond—is a responsibility we take seriously.

A Topic That Won't Go Away on Its Own

Watching the health care storm clouds gather, the Teachers' Retirement Board took a hard look at the issue in 2003 but decided it wasn't appropriate at that time for CalSTRS to provide health insurance.

However, affordable health care was a topic that would not go away on its own. Prompted by the outcome of a 2004 CalSTRS study, which strongly pointed out that the availability of

affordable health care has an impact on retirement and our members' standards of living, the Board took up the issue again in 2006.

Task Force Recommends Medical Expense Allowance

A Public Education Health Benefits Task Force, convened by the Board in 2006, presented its final report in June 2008. The task force recommended that retired members age 65 or older receive a monthly allowance for medical expenses.

The monthly benefit would be based on years of CalSTRS service and would be up to:

- \$400 for educators who retired before 1999, recognizing the higher benefits being paid to members who retired after 1998 due to legislated benefit enhancements.
- \$300 for educators who retired in 1999 or later, but before the program is implemented, the approximate cost of a Medicare supplement insurance premium.
- \$100 for educators who retire after the program begins, the approximate cost of a Medicare Part B premium. The task force would like to increase this allowance to \$300 a month, but recognizes that it may not be economically viable at this time.

None of these recommendations have been acted on, and any program developed arising from the task force's recommendation would need state legislation to be implemented. How these benefits are provided would obviously be a critical issue if legislation was introduced.

The task force included certificated and classified school employees, school employers, health benefits administrators, and CalPERS and Teachers' Retirement Board members. You'll find the full task force report at www.CalSTRS.com.

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

Teachers' Retirement Board
Dana Dillon, *Chair*
Jerilyn Harris, *Vice-Chair*

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John Chiang
Michael Genest
Harry Keiley
Roger Kozberg
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Christopher J. Ailman
Chief Investment Officer

Lynette Blumhardt
Editor

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
P.O. Box 15275
Sacramento, CA 95851



printed on recycled paper

Your Opinion of CalSTRS Continues to Remain High

Overall Satisfaction



In our fifth annual survey of members, you told us you are satisfied with CalSTRS, giving us an overall satisfaction score of 79 out of 100. Reasons for the score were: service from CalSTRS staff, quality of printed materials and CalSTRS Web site and workshops. The results of this survey are used by CalSTRS to raise the quality in the delivery of benefits, products and services to “best in class.”



Retirement Progress Reports Available in December

When you receive your *Retirement Progress Report* in the mail or view it on *myCalSTRS*, take some time to understand your account data and read about the steps you can take now to plan a rewarding retirement.

If you are a Defined Benefit member, your report includes:

- Your personalized Defined Benefit and Defined Benefit Supplement account data
- Retirement benefit estimates (if you meet specific criteria)
- Retirement planning information and resources

If you are a Cash Balance Benefit participant, you will receive:

- Your personalized Cash Balance account data
- Detailed information on the Cash Balance Benefit Program

Connections Has a New Look

CalSTRS Connections has a fresh new design and reads more easily thanks to a recent make over.

Look for a brighter color palette, meaningful and diverse photos, updated typography, a contemporary design, and editorial organization. These elements help to create a product that is pleasant to look at and easier to comprehend.

Your comments are welcome at Communications@CalSTRS.com.





The Cost of Protecting Your Loved Ones Will Increase Jan. 1, 2010 Elect a Pre-Retirement Option Now

The cost of making a pre-retirement election of an option will increase for most members in 2010. If you want to make a pre-retirement election, it will cost you less if you act before January 1, 2010. Calculations for the cost of the election will be available after July 2009.

A Pre-Retirement Election of an Option Provides for Loved Ones

If you are eligible to retire, you can make a pre-retirement election of an option which will provide a lifetime monthly benefit for your loved ones if you die before you retire.

Cost Increase Not Expected to be Substantial

There is a cost to you when you make a pre-retirement election of an option: your monthly retirement benefit is reduced when you retire. In return, your beneficiaries will receive a monthly benefit after you die.

The reduction of your benefit is based on your age, your beneficiaries' ages and the option you choose at the time you make the election. Funds must be accumulated to pay out a benefit throughout your lifetime and your beneficiaries' lifetimes.

That cost will increase on January 1, 2010, but it won't be substantial. The change is expected to lower a member's retirement benefit by about an additional one percent, or \$30 per month on a \$3,000 monthly benefit.

Currently, if you are 55, not retired, your beneficiary is 50 and you choose an option, the cost to you is a range between 6 percent and 12 percent of your monthly benefit.

Steps to Take in Making Your Decision about Electing an Option

1. Determine if you are eligible to retire.
2. Read about making a pre-retirement election of an option in the *Member Handbook* or at www.CalSTRS.com.
3. After July 1, 2009, go to CalSTRS.com/calculators or schedule an appointment to speak to a CalSTRS counselor who will determine the cost to you if you elect this option after January 1, 2010. Call 800-228-5453 to schedule an appointment.

You are eligible to retire when:
You are **55 with five years** of service credit OR you are **50 with 30 years** of service credit

4. Complete the *Pre-Retirement Election of an Option* form available at CalSTRS.com/publications.

Advantages of Making a Pre-Retirement Election of an Option

- If you die before retirement with a pre-retirement option in place, your beneficiaries receive a lifetime monthly benefit.
- In most cases, their benefit will be greater if you make that choice before you retire, rather than at the time of retirement.
- There is no cost to you until you begin receiving your monthly retirement benefit, and then you'll see a reduced benefit.
- You decide who your beneficiaries are if you do so before retirement. Otherwise, your spouse and dependent children will receive the benefit.

Disadvantages of Making a Pre-Retirement Election of an Option

- If you cancel or change your pre-retirement option before you retire, your retirement benefit may be reduced for life.
- If your beneficiary dies before you retire, your retirement benefit may be permanently reduced.

Different from a Death Benefit

The pre-retirement election of an option is different from the one-time death benefit. Naming a one-time death benefit recipient does not affect your retirement.

Your Personal Information Quick, Current and Paper-free

MyCalSTRS gives you access to secure information about your CalSTRS account anytime, day or night.

MyCalSTRS Benefits

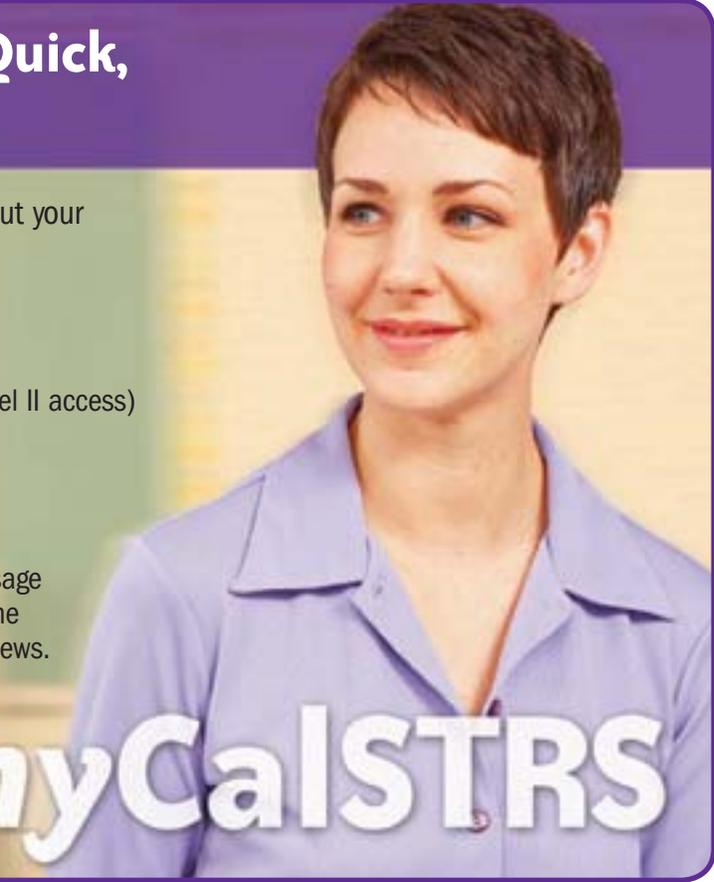
- Review your benefit choices
- Update your mailing address and telephone number (Level II access)
- Ask questions about your account and receive prompt, confidential answers.

Stay Up-to-Date with the Latest CalSTRS News

MyCalSTRS account holders recently received a timely message regarding the security of the CalSTRS pension fund during the country's latest economic crisis. Don't miss out on current news.

It's Easy to Register

To register, go to www.CalSTRS.com and follow the step-by-step directions. If you're already registered, you can log on right away.



myCalSTRS

Learn More About Your CalSTRS Benefit: Your Top 3 Reasons to Attend a Workshop

Learn more about your CalSTRS benefits by attending a CalSTRS workshop. If you've already attended a workshop, you are invited to attend again. As an educator you know that learning sometimes involves repeated exposure to the material.

We offer workshops at multiple locations and times to offer you a chance to increase your retirement IQ.

Come with your burning questions. Our presenters answer all questions about the material ensuring you have a positive learning experience.

Our Newest Workshop

The CalSTRS Retirement Income Management workshop is quickly becoming our most popular learning opportunity and with good reason—well, with three good reasons.

1. Gives you tools to go beyond the “accumulation phase” of retirement planning to the “distribution phase”—managing all your sources of income to live your retirement dream
2. Gives you information only—no sales pitch here. You leave armed with knowledge for your next planning session
3. Identifies your risks and teaches you how to lessen the impact of an unpredictable economy or unexpected events

We offer career-based workshops designed to tell you what you need to know now—at this stage of your career. Check the schedule below to choose the next workshop you want to attend.

Sign Up for a Workshop Today

Call 800-228-5453 or visit www.CalSTRS.com/workshops.

Our presenters answer all questions about the material ensuring you have a positive learning experience.

Demystifying CalSTRS

This one hour session focuses on the benefits available to you. It is a good place to begin learning about your CalSTRS retirement.

Career stage/audience: New educator or never attended a workshop

Location	Date
Castro Valley	December 18, 2008
Irvine	January 15, 2009
Costa Mesa	January 17, 2009
Perris	January 28, 2009
Ceres	February 10, 2009
San Diego	February 17, 2009
Stockton	February 19, 2009

CalSTRS Fundamentals

This one-and-a-half-hour session helps you learn about your CalSTRS retirement benefit as the foundation of your retirement plan.

Career stage/audience: Mid-career educator or attended Demystifying CalSTRS

Location	Date
Paradise	December 15, 2008
San Diego	December 16, 2008
Fairfield	January 7, 2009
Marysville	January 8, 2009
El Segundo	January 12, 2009
Rancho Cordova	January 13, 2009
Taft	January 14, 2009
San Diego	January 15, 2009

CalSTRS Retirement Check-Up

Learn to calculate your retirement benefit and the steps you need to take to get ready to retire.

Career stage/audience: Late career educators

Location	Date
Fresno	December 29, 2008
Van Nuys	January 8, 2009
Salinas	January 12, 2009
Ceres	January 13, 2009
Hayward	January 14, 2009
Rosemead	January 14, 2009
Newark	January 14, 2009
Sacramento	January 14, 2009

CalSTRS Retirement Income Management

This one-and-a-half hour session gives you a five-step plan to manage your sources of retirement income.

Career stage/audience: Most optimum for mid-career to newly retired but relevant for anyone.

Location	Date
Merced	December 18, 2008
San Diego	January 10, 2009
Costa Mesa	January 17, 2009
Rancho Cucamonga	January 24, 2009
Bakersfield	January 31, 2009
Downey	February 2, 2009
Aliso Viejo	February 4, 2009



CalSTRS Legislation of Interest to You

Consistent with our mission, CalSTRS advocates in the legislative arena to ensure you enjoy a secure retirement. Here's a summary of current bills that may be of interest to you, along with the positions taken by the Teachers' Retirement Board.

The following three bills have been signed into law by the Governor:

Assembly Bill 591 (Dymally)

Allows the California Community Colleges to hire temporary part-time employees to teach up to 67 percent, rather than 60 percent, of the hours per week that constitute a regular, full-time assignment.

Board Position: Support

Assembly Bill 1480 (Mendoza)

Authorizes CalSTRS to offer a Roth IRA to receive funds converted from a Roth 403(b) account. A Roth IRA does not have a required minimum age distribution or penalty like a Roth 403(b) does. Holders of Roth IRAs may be able to increase their retirement savings by converting a Roth 403(b) to a Roth IRA.

Board Position: Sponsor

AB 1389 (Committee on Budget)

A new law increases the Supplemental Benefit Maintenance Account purchasing power benefit to 85 percent. It also gives the Teachers' Retirement Board the authority to adjust the benefit between 80 percent to 85 percent based on actuarial projections. Assembly Bill 1389 (Committee on Budget), Chapter 751, Statutes of 2008.

Dear CalSTRS

No Social Security for This Classroom Teacher If You Don't Pay in, You're Not Eligible

Dear CalSTRS:

I'm a classroom teacher in southern California. A friend of mine who taught at my school retired last year. She spent her entire career in the classroom and loved it, but she was surprised to find out she didn't get any Social Security for her public school service when she retired.

This scares me because I'll be working as a classroom teacher for another 10 years before I retire.

I always thought I'd get Social Security for my teaching, along with my teacher pension.

Signed—
Not So Secure in SoCal

Dear SoCal:

There's a lot of misunderstanding among public educators about Social Security. Retired California public school teachers receive no Social Security benefits for their income from CalSTRS-covered teaching. Here's how it works:

Public educator work

As a public school teacher in California, you don't pay into Social Security, so you don't get Social Security benefits from public school teaching when you retire.

California's public educators made the decision in 1955 to stay out of the program, primarily because CalSTRS benefits were better. Theoretically, teachers can take the 6.2 percent they don't have deducted from their paycheck for Social Security and put it in a supplemental savings plan, like a 403(b) or IRA.

Other work or your spouse's work

You could be eligible for Social Security from other nonteaching jobs you've held or from a spouse. If you qualify because of work you've done, your Social Security check—but not your CalSTRS service retirement benefit check—could be reduced, or offset, but it will not be eliminated. If you qualify through a spouse's Social Security benefit, your Social Security—but not your CalSTRS service retirement check—could be reduced or eliminated altogether.

If you qualify for a disability allowance or if your dependents qualify for a family allowance benefit through both Social Security and CalSTRS, we may offset these CalSTRS benefits



Free CalSTRS Webinar Helps You Save Now Register Today. Space is Limited.

Learn how you can take control of your retirement savings. Participate in a free CalSTRS webinar about how to save now so you can enjoy a more secure future. Count on CalSTRS for objective advice and planning services.

WHAT: Your Money Matters Webinar with Q&A
Designed for CalSTRS active members; first come, first served.

DATE: Thursday, January 29, 2009

TIME: 5 pm–6 pm PT

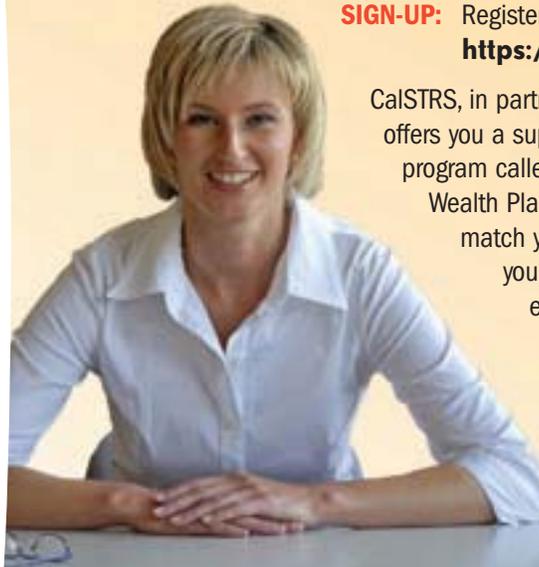
WHO: CalSTRS experts, in partnership with TIAA-CREF, will present.

WHY: Your CalSTRS pension will likely replace only 62% of your final salary. Financial experts recommend a supplemental savings plan to complement the CalSTRS Defined Benefit.

HOW: Participate from your home computer and phone (land line preferred). No special software or computer system necessary.

SIGN-UP: Register online at
<https://my.calstrs.com/>

CalSTRS, in partnership with TIAA-CREF, offers you a supplemental savings program called Pension2 Personal Wealth Plan, which is designed to match your risk tolerance with your time horizon. Learn how easy it is to get started.



CALSTRS
pension 2
personal wealth plan

depending on your coverage type and the benefits you received. However, Social Security benefits paid to your option beneficiary upon your death will not be reduced because he or she is now receiving a CalSTRS benefit.

For more information about your specific situation, go to www.socialsecurity.gov or contact the Social Security Administration at 800-772-1213. The Social Security Administration Web site provides calculators that you can use to estimate the possible reduction to your Social Security benefit.

What you can do now

One suggestion is to take advantage of the 10 work years you have ahead of you to open a supplemental savings plan, such as a 403(b) or IRA. More information about supplemental savings is available at www.CalSTRS.com/Pension2.

CalSTRS Differs from Social Security

CalSTRS pension	Social Security
Beneficiaries are California public educators who earn creditable service	Beneficiaries include all private and some public workers who pay into Social Security
A pre-funded system enhanced by investment earnings	A pay-as-you-go system with no investment earnings
Lifetime benefit based on a specific formula	Benefit based on a complex three-tiered formula
A California defined benefit earned by virtue of employment with the specific entity that agrees to provide benefits in exchange for the services of the employee	A federal insurance program that represents a promise from the federal government to provide a basic benefit in retirement
Worker contributes 8 percent of salary	Worker contributes 6.2 percent of salary
Minimum retirement age is 50 with 30 years of service or 55 with 5 years of service	Minimum retirement age is 62 for a reduced benefit Full retirement age is 65-67 for a maximum benefit



Former SEC Chair Praises the Teachers' Retirement Board

Arthur Levitt, former chairman of the Security and Exchange Commission, addressed the Teachers' Retirement Board on June 5, 2008. His presentation touched on regulatory changes, corporate governance and the state of the accounting industry.

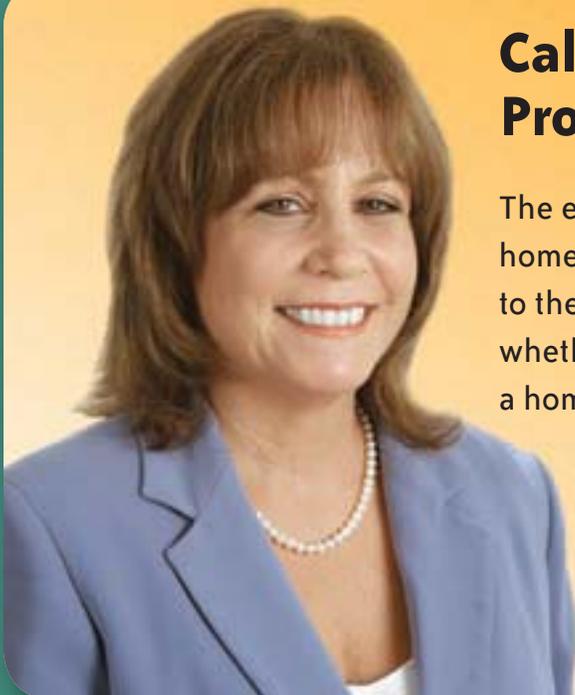
Public Pensions Serve as Watch Dogs

Levitt said we cannot rely on newly elected corporate boards to always do the "right" thing, and reminded the board's trustees that one role public pension systems play is that of the "watch dog" in order to keep corporate boards in check.

Levitt called the Teachers' Retirement Board "one of the most courageous and forward-thinking public pension boards in the country."

Levitt was the 25th and longest-serving chair of the SEC. He left the Commission in February 2001. Investor protection was Levitt's top priority during his tenure as the SEC chair.

One role public pension systems play is that of the watch dog in order to keep corporate boards in check



CalSTRS Home Loan Program There for You

The ensuing national credit crisis has made home loans difficult to obtain. You can look to the CalSTRS Home Loan Program whether you're re-financing or buying a home. CalSTRS offers competitive rates on a variety of mortgage loan programs. For details, see CalSTRS.com/homeloanprogram.

Receive Service Retirement Benefits While Your Disability Application is Pending

A disability is unexpected. If you find you're not able to work because of a disabling condition, your financial situation can quickly become a pressing concern.

Since the CalSTRS disability application process can take up to five months, interim financial support may be necessary.

Apply for and Receive an Interim Benefit Sooner

If you meet the service retirement eligibility requirements, you may apply for and receive a service retirement benefit while your disability application is being processed.

CalSTRS sponsored Assembly Bill 1316, which made this option available to eligible members effective January 1, 2008.

If your disability application is approved, your service retirement benefit will be cancelled retroactively and your disability benefit will replace it. If your disability application isn't approved, you will remain retired for your service.

You may consider receiving service retirement benefits during the disability application evaluation process if you:

- are eligible to retire
- have exhausted your leave credits
- terminated employment
- plan to remain retired for your service if your disability application is not approved.

To find out more about this program as it relates to your specific situation, please make an appointment with a CalSTRS benefits counselor at 800-228-5453 or ask to speak to a Disability staff member.



Disability Benefits Basics

As a CalSTRS Defined Benefit Program member, you may qualify for long-term disability benefits if you have a medical condition that prevents you from working for at least a year after the last day of service. With some exceptions, you must meet these four requirements:

1. Have at least five years of service credit.
 - » Exception: If you were a victim of an unlawful act on the job, you may qualify with one year of service credit.
2. Have a physical or mental medical condition that keeps you from working at your usual job duties with reasonable accommodations or duties of a comparable level.
3. Have a medically determinable physical or mental impairment that is permanent or that can be expected to last continuously for at least 12 months after the last day of service.
4. Apply within certain timeframes.

Details and exceptions to these basic requirements can be found in *Introduction to CalSTRS Disability Benefits* at www.CalSTRS.com/publications or by calling 800-228-5453.



A lot has happened in the last six months to put economic security, pensions and healthcare at the top of our nation's agenda. Be assured that your retirement is safe.

A recent study, “A Better Bang for the Buck,” conducted by the National Institute on Retirement Security reveals the employer advantages of a DB plan. According to the report, the group-nature of DB plans creates built-in savings for both employees and employers. For more information on the report, go to www.nirsonline.org.

One of the study's authors states that group-based plans drive down costs and enhance investment returns. Smart money is on maintaining defined benefit plans for employees.

Benefits are Quantified

In their “apples to apples” comparison of DB and DC plans the NIRS described three ways in which employers deliver the same target retirement benefit with DB plans and do it more efficiently. This NIRS report quantifies what we've known all along—defined benefit pension plans are better, more economical and efficient.

According to the study, “taken together, the economies that stem from investment pooling and longevity and risk pooling can result in significant cost savings to employees and employers (or in the case of the public sector, taxpayers).”

1. DB plans pool the risks of large numbers of people, which avoids the problem of “over-saving.” A DB, as opposed to an individual DC, has to save only enough to be able to pay out for the average life expectancy of the group. An individual has to save enough for whatever an individual's maximum life expectancy is. This results in a 15 percent cost savings.

2. DB plans don't have to worry about converting individual savings to cash, or switching to more conservative investments, as retirement nears. A DB can perpetually maintain a balanced portfolio, to create optimum returns. Individual DC plans have to eventually move from accumulation mode to spend mode. DB plans don't. This fact results in a 5 percent cost savings.
3. DB plans achieve greater investment returns than individuals because defined benefit plans are professionally managed and because of their size, they pay lower fees. The result is a 26 percent costs savings.

You Enjoy Guaranteed Security

A lot has happened in the last six months—between the elections and economic woes—to put economic security, pensions and health care at the top of our nation's agenda.

I understand that you are concerned about the strength of your retirement fund. Be assured that your retirement is safe. Members of the Teachers' Retirement Board and CalSTRS staff continue to take pro-active steps to maintain its integrity.

Remember, your defined benefit is safe. It's mandated by law and guaranteed for your lifetime. Your pension is based on a formula, not on how much you've been able to invest as an individual.

The typical CalSTRS member retires at age 62 with 28 years of service and earns \$3,800 per month. CalSTRS investment experts work diligently and intelligently to maintain a strong and secure portfolio. Staff members strive to provide you with excellent service and worthwhile programs.

The Teachers' Retirement Board and CalSTRS will continue to provide you and coming members with a secure future.



**403b
Compare**

www.403bCompare.com
Your California School Employee
Retirement Product Information Bank

CalSTRS Move in 2009 Means a New Address

CalSTRS Sacramento headquarters is moving in 2009.
Address change for hand/overnight private deliveries
effective June 22, 2009:

100 Waterfront Place, West Sacramento, CA 95605

Postal Delivery

Continue to use:

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

Overnight or Special Delivery

When using a special delivery system such as UPS or Federal Express, use:

Until June 19, 2009:
CalSTRS
7667 Folsom Boulevard
Sacramento, CA 95826

Starting June 22, 2009:
CalSTRS
100 Waterfront Place
West Sacramento, CA 95605

Member Services

To visit CalSTRS:

Until June 19, 2009:
CalSTRS
Member Services
7919 Folsom Boulevard
Sacramento, CA 95826

Starting June 22, 2009:
CalSTRS
Member Services
100 Waterfront Place
West Sacramento, CA 95605

Fax Number:

916-229-3879

Hand Delivery to Counseling Offices:

Starting June 22, 2009:

CalSTRS Member Services
100 Waterfront Place
West Sacramento, CA 95605

Fresno County Office of Education
855 North Abby Street
Fresno, CA 93701

San Diego County Office of Education
5304 Metro Street, Suite A
San Diego, CA 92110

San Francisco County Office of Education
135 Van Ness Avenue, Room 120
San Francisco, CA 94102

Los Angeles County of Education
9300 E. Imperial Highway, Room 150
Downey, CA 90242

Humboldt County Office of Education
901 Myrtle Avenue
Eureka, CA 95501

Updates:

For updated information about the CalSTRS move, go to www.CalSTRS.com
or call 800-228-5453.



The P.O. Box
continues to be the
best mailing
address

A Lifecycle Fund Could Be Right for You

Lifecycle funds are designed to follow you throughout your working life and change as you approach retirement.

Supplemental savings are clever investments any time—even in these uncertain economic times. They can bring you closer to retirement security, but if you have ten or more years of work ahead of you, you're in an especially good position to add substantially to your own individual retirement fund.

You receive a guaranteed CalSTRS defined benefit at retirement, but that replaces only 60-65 percent of your final pay. Supplemental savings help fill in the gap.

CalSTRS Can Help

The mix of supplemental savings choices from 403(b)s to mutual funds can be perplexing. CalSTRS can help you sort them out and get you started.

Consider a CalSTRS Lifecycle Portfolio: They're Easy and Effective

A lifecycle fund, which is a special type of mutual fund, may be the right supplemental savings choice for you.

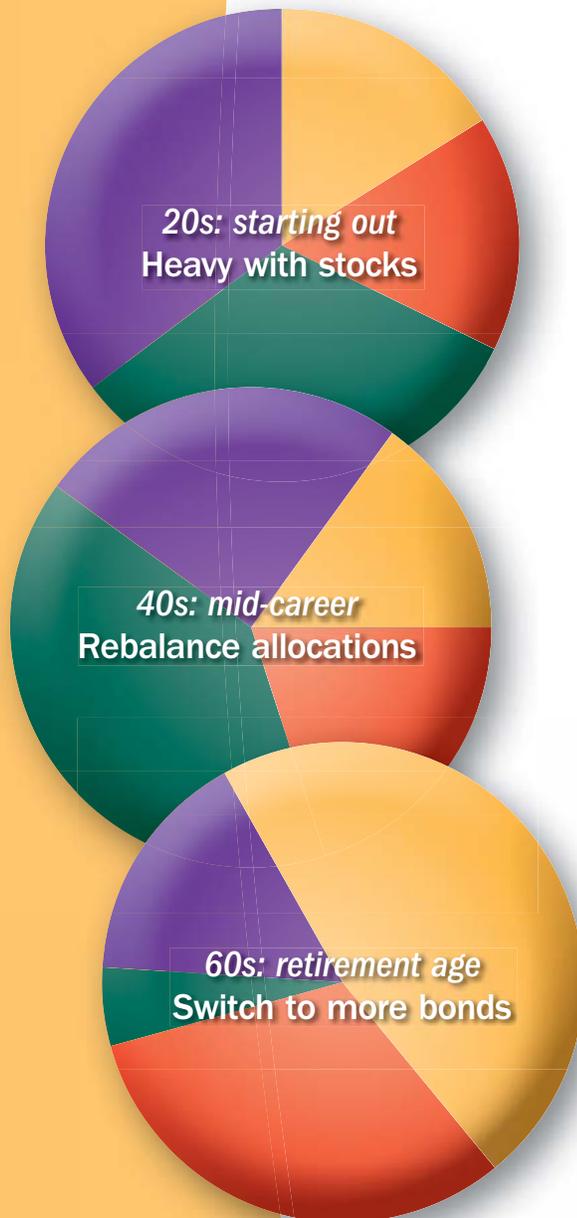
Lifecycle funds, also known as target date funds, are designed to follow you throughout your working life and change as you approach retirement. They frequently start out with aggressive investments and automatically grow increasingly conservative.

CalSTRS offers a lifecycle portfolio through the Pension2 Easy Choice Portfolio at www.CalSTRS.com/Pension2.

How They Work

With most lifecycle funds, once you select your target retirement date, a professional money manager takes over, calculating the initial allocation and periodically rebalancing that allocation as your retirement date nears.

While in your 20s, lifecycle funds are heavy with stocks—generally a more risky but higher yielding investment. As you approach your 50s and eventually retirement, the lifecycle fund's level of risk is gradually and automatically reduced because it switches to more conservative bond investments.



Watch Out for Fees

The flip side to the ease and convenience of a lifecycle fund is the fee structure. Keep your eye on the costs, which might be difficult to identify. Costs are key because in long-term investments such as these, higher costs can have a substantial impact on your retirement nest egg. Some funds charge other fees, such as a front-end commission, which immediately reduces the amount of money available for investing.

Information to Consider When Choosing a Lifecycle Fund

Lifecycle funds generally consist of individual mutual funds within the same fund family.

- Different mutual fund families invest their funds differently, even for the same retirement date. One asset allocation isn't better than another; however more stocks usually mean more volatility.
- Costs vary. Funds can charge from \$21 for every \$10,000 to \$78 per \$10,000 invested.
- Some funds charge other fees, such as a front-end commission, which immediately reduces the amount of money available for investing.
- The lifecycle fund manager allocates the most appropriate mix for your target date. Be aware that investing in a lifecycle and in outside funds may increase your level of risk more than your fund manager intended.
- Although lifecycle funds may be more diversified than any single mutual fund, the diversity may vary among fund families, affecting volatility.

The Next Generation From CalSTRS

The CalSTRS Pension2 Easy Choice lifecycle portfolio differs from other lifecycle portfolios because it merges time horizon *with* risk

tolerance. It also includes various mutual fund families. These features offer greater diversification than most lifecycle funds. We are dedicated to keeping your costs low, with reduced fees and expenses by selecting funds that are no-load and no-commission. CalSTRS lifecycle Easy Choice Portfolios are chosen and monitored by CalSTRS investment pros—the same people who invest your Defined Benefit portfolio.

Order a free *Why Wait* savings calculator to discover the benefits of compounding. Send your e-mail request to Pension2@CalSTRS.com.

CalSTRS Pension2® Personal Wealth Plan: Your First Step to a Brighter Financial Future

GET STARTED HERE

Planning for the future isn't complicated. Start saving today.

Your first step is to get the information you need about the new CalSTRS Pension2 personal wealth plan. Read more at www.CalSTRS.com/members/pension2.

Yes, it is just that easy

E-mail: Pension2@CalSTRS.com

Fax: 916-229-4202

Phone: 888-394-2060

Mail to: CalSTRS, P.O. Box 15275, M.S. 44
Sacramento, CA 95851-0275



CALSTRS

pension 2
personal wealth plan

CalSTRS Resources

WEB SITES	www.CalSTRS.com Click <i>Contact Us</i> to e-mail www.403bCompare.com
CALL	800-228-5453 7 a.m. to 6 p.m. TTY 916-229-3541
WRITE	CalSTRS P.O. Box 15275 Sacramento, CA 95851-0275
VISIT	Member Services 7919 Folsom Boulevard Sacramento, CA 95826 <i>(until June 19, 2009)</i> Member Services 100 Waterfront Place West Sacramento, CA 95605 <i>(starting June 22, 2009)</i>
FAX	916-229-3879

Message from the CalSTRS CEO

Reassuring facts amid the bad economic news

Your CalSTRS benefit is secure, despite the ongoing historic changes to the world's markets. The CalSTRS retirement, survivor and disability benefits will not change with the downturn in the economy.

Your benefit does not depend on the funds in the CalSTRS investment portfolio or the amount in your CalSTRS account. Your CalSTRS benefits are a contractual right protected not only by the California Constitution but also by the U.S. Constitution.

Built to last

In addition to the legal guarantees of your benefits, CalSTRS is strong thanks to sound investment principles and professional management. The investment portfolio is built to ride out the shocks of a fluctuating marketplace, even in times as unprecedented as these.

As you read more bad news daily, please remember you have good news. Your CalSTRS benefit is rock solid.

Stay current on CalSTRS news

If you register your email address at *myCalSTRS*, we'll be able to communicate quickly with you in the future. To sign up, go to www.calstrs.com.

Sincerely,



Jack Ehnes
Chief Executive Officer
California State Teachers' Retirement System