

# Connections

## REACHING YOUR RETIREMENT

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS



## Teacher Talk: Spotlight on California's Educators

*Teacher Talk* is a series of profiles on California teachers and other educators featured on our website. For the full-length version, visit [CalSTRS.com/teacher-talk-profiles](http://CalSTRS.com/teacher-talk-profiles).

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**Peggy Nemeth**  
Ninth-grade teacher

Riverdale High School  
Riverdale

Peggy Nemeth teaches English at Riverdale High School in Fresno County but makes it very clear that she doesn't do freestyle rap.

"I have a terrible memory. I tell most of my kids they're smarter than me. I memorize rap songs just so I can entertain them. I reward them with it."

There might be videos somewhere, but she's never seen them. "I have terrible stage fright," she admitted. "I will fall apart if I'm filmed. I think I get so freaked out about it the students don't want to ruin it by posting videos online."

### Keeping kids on track to college

Nemeth teaches ninth-grade English and AVID, a four-year program to help students get into college through study skills, organization and Socratic seminars.

"These kids have special challenges getting into a high-level college but are very motivated," she said. "Those challenges include having single parents, migrant parents or being the first generation to go to college. I have them every year for a class period and they work on study skills. I keep them organized, teach them how to communicate and all the skills they need for college."

### Launching the Gay Straight Alliance on campus

In 2011, a student—who had been bullied for being perceived as gay—asked Nemeth to be the adviser for a Gay Straight Alliance at Riverdale. It's now a popular club on campus.

"I think we need a club to provide a safe space for kids who think they're bullied," Nemeth said. "They can empower each other and teach the bullies how wrong they are. GSA is a place you can come and talk about whatever you want to."

Also inside:

# 2016

Summary Report  
to Members

*continued on page 5*

## CalSTRS Mission:

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

### Teachers' Retirement Board

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

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

Editor, Communications  
CalSTRS  
MS 34  
P.O. Box 15275  
Sacramento, CA 95851

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# CalSTRS Releases Third Annual Sustainability Report

We are pleased to release our *2015–16 Sustainability Report: Global Stewardship at Work*. At CalSTRS, sustainability signifies the actions we take to ensure we are here in perpetuity securing the financial future and sustaining the trust of California's educators.

Our third annual sustainability report was prepared in accordance with the Global Reporting Initiative's G4 Sustainability Reporting Guidelines—a reporting framework that incorporates stakeholder engagement and feedback into prioritization of report content and organizational performance.

We sought input from our stakeholders using internal and external surveys to define the report's material issues as they relate to the organization's sustainability efforts throughout the year. We received more than 1,200 responses from our executives, members, employees and business partners. Topics in this report include:

**Retirement Preparedness:** Engagement and outreach efforts are important to increase members' understanding of the necessary steps to achieve financial security in retirement. Learn about our targeted education for members at three key career stages and the drivers of retirement preparedness.

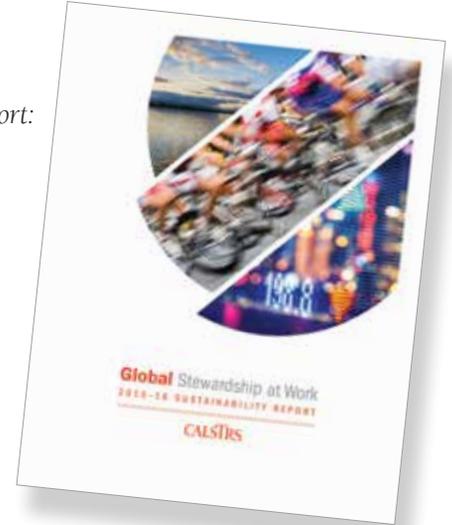
**Cybersecurity:** CalSTRS places high priority on cybersecurity and has strict policies and procedures in place to protect member data. Read about the actions our Information Security Office takes to protect sensitive member information.

**Ethics and Compliance:** We adhere to high standards of ethical business practices. In this report, we examine the Teachers' Retirement Board's fiduciary responsibilities and how they pertain to environmental, social and governance decision-making.

**Organizational Transparency:** Top-down communication and stakeholder engagement practices are key in encouraging a transparent business strategy and culture of ethics. Read about the many communication avenues we provide to maintain an open dialogue with our stakeholders and the general public.

**Sustainability-Related Investment Risk:** CalSTRS employs a multifaceted approach to reduce the risks of climate change to our investment portfolio. In 2015–16, we enhanced our Global Equity Portfolio with a commitment of \$2.5 billion to a low-carbon index and increased our green bonds holdings to \$296.9 million.

**Workforce Development, Employee Engagement and Diversity and Inclusion:** We continue our efforts to grow an engaged, highly skilled and diverse workforce to ensure we are providing our members with quality, reliable service. Read about our recognition, wellness and training programs that support our outstanding employee engagement score.



The full 2015–16 report, plus short videos featuring a variety of stakeholder perspectives on our sustainability practices, can be viewed at [CalSTRS.com/2015-16-sustainability-report](http://CalSTRS.com/2015-16-sustainability-report).



# CalSTRS Adopts Actuarial Valuation Based on New Economic, Demographic Assumptions; Continues Progress Toward Long-Term Funding Goal

At its February meeting, the Teachers' Retirement Board adopted a new set of actuarial assumptions reflecting members' increasing life expectancies and current economic trends. The board's actions were based on data included in a five-year experience study, a periodic review of demographic and economic assumptions used to determine assets and liabilities of the system.

In order to maintain a realistic view of investment markets, the board reduced the assumed rate of return over a two-year period. The first reduction changed the rate from 7.5 percent to 7.25 percent, followed by another reduction next year to 7.0 percent. The board relies on input from not only actuarial experts, but also knowledgeable investment consultants, who specialize in monitoring trends and forecasting long-term market conditions.

Additionally, at its April meeting, the board adopted an independent actuarial valuation report as of June 30, 2016. An actuarial valuation is a snapshot-in-time measurement of the ability of the fund to meet its future obligations. The valuation indicated that the funded ratio for the Defined Benefit Program declined

from 68.5 percent in 2015 to 63.7 percent in 2016. This decline was expected given the more conservative assumptions that were adopted in February. Even with an anticipated decline in funding levels expected into 2018, an upswing is projected as contributions gradually increase according to the parameters of the 2014 long-term funding plan, with continued progress toward full funding by 2046.

This July, the State of California's contribution rate will increase by 0.5 percent, which was already included in the Governor's budget plan. There will be no additional contribution rate increases this year for CalSTRS 2% at 62 members (first hired on or after January 1, 2013). However, these members will likely see a rate increase of 1.0 percent on July 1, 2018, after the investment assumption is reduced to 7.0 percent. Retired members, 2% at 60 members (first hired before January 1, 2013) and employers will not be affected by additional increases as a result of the board's adoption of the valuation report.

For more information, visit [CalSTRS.com/news-releases](http://CalSTRS.com/news-releases) and read the post dated April 6, 2017.

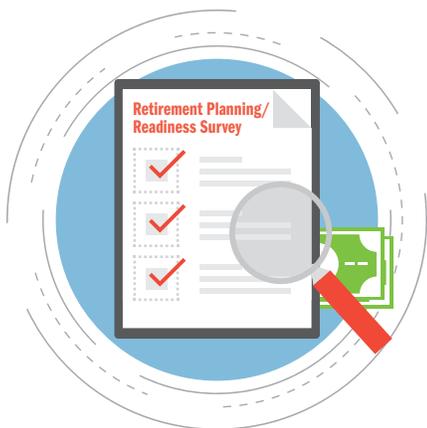
## Retirement Progress Reports Available in September

Your *Retirement Progress Report* for 2016–17 will be available online in September. Your report will also include two estimates of your retirement benefits. Log on to your secure *myCalSTRS* account at [myCalSTRS.com](http://myCalSTRS.com), select *View Your Retirement Progress Report* and then select the year and account type. If you requested a copy of your report to be mailed to you, it will arrive in your mailbox in October.



## Check Your Inbox: Retirement Readiness Survey Emailed This Month

Every two years, CalSTRS conducts a survey to help improve our understanding of how members plan for retirement. This May, we are emailing surveys to a random sample of members across all career stages—from those who have just started their first job in education to those who are approaching retirement. The input we receive helps our staff develop additional resources and tools that you can use when planning for your retirement. Should you be randomly chosen to respond, know that your participation is important to us. We look forward to hearing from you.



## Working After Retirement: Know the Rules



Thinking about returning to work after retirement? Learn about the restrictions that may affect your CalSTRS benefit when returning to work in a position with the California public school system. Watch our *Working After Retirement* video at **CalSTRS.com/working-after-retirement** or download the *Working After Retirement* fact sheet from **CalSTRS.com/publications**.

 [CalSTRS.com/working-after-retirement](https://www.calstrs.com/working-after-retirement)

## A+ The California Teachers Study: Cancer Research Update

Since 1995, many female CalSTRS members have contributed to research on breast and other cancers through participation in the California Teachers Study. With 133,000 participants, nearly 500,000 surveys have been submitted to help the fight against cancer. The California Teachers Study continues its growth and contributions to women's health research with more than 190 scientific publications to date.

This year the California Teachers Study will be collecting its sixth survey. For the first time, the survey will also be offered as an online option to save paper and provide a faster, more convenient way to securely submit your responses. Visit **www.CalTeachersStudy.org** to learn more about how CalSTRS members have contributed over the years.



# 2016

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

## Summary Report to Members

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

### State Teachers' Retirement Plan Statement of Changes in Fiduciary Net Position

(Dollars in Thousands)

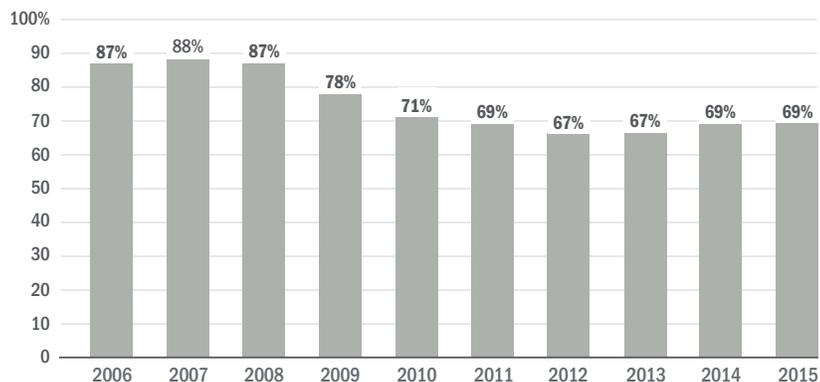
|   | 2016                 | 2015 <sup>1</sup>    |
|---|----------------------|----------------------|
| Net Assets Held in Trust, Beginning of Year                               | \$191,822,336        | \$190,312,109        |
| <b>Additions</b>  |                      |                      |
| Contributions (member, employer, State of California, federal government) | 8,288,519            | 6,613,323            |
| Investment Income   | 2,621,852            | 7,876,259            |
| Investment Expense  | (316,894)            | (300,260)            |
| Other Income  | 41,519               | 39,580               |
| <b>Total Additions</b>  | <b>10,634,996</b>    | <b>14,228,902</b>    |
| <b>Deductions</b>   |                      |                      |
| Benefits and Refunds  | 13,148,558           | 12,564,596           |
| Administrative Expenses   | 180,056              | 145,239              |
| Other Expenses  | 15,231               | 8,840                |
| <b>Total Deductions</b>   | <b>13,343,845</b>    | <b>12,718,675</b>    |
| <b>Net Increase (Decrease)</b>  | <b>(2,708,849)</b>   | <b>1,510,227</b>     |
| <b>Net Assets Held in Trust, End of Year</b>                              | <b>\$189,113,487</b> | <b>\$191,822,336</b> |

<sup>1</sup> Some reclassifications have been made to the comparative totals as of and for the year ended June 30, 2015, to conform to the presentation as of and for the year ended June 30, 2016. The reclassifications had no impact on net position or changes in net position.

### Defined Benefit Program Funding Ratio

This chart illustrates the difference between the actuarial value of assets and the amount needed to pay benefits to current CalSTRS members from a funding perspective. The ratio of assets to liabilities 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.

The June 30, 2015, funding valuation shows an increase of \$3.5 billion to a total of \$76.2 billion in unfunded actuarial obligation (UAO) of the Defined Benefit Program due to lower investment returns as of June 30, 2015. The funded ratio remained consistent with last year at 68.5 percent.



This summary provides important details regarding your retirement fund.

#### Our mission:

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

Your reward—a secure retirement.  
Our reward—getting you there.



## Defined Benefit Program

As of June 30, 2016

### Membership in 2016

| Fiscal Year                            | 2016           | 2015           |
|--|----------------|----------------|
| Active Members                         | 438,537        | 429,460        |
| Inactive Members                       | 187,722        | 184,396        |
| <b>Total</b>                           | <b>626,259</b> | <b>613,856</b> |
| Service Retirement Benefits            | 252,672        | 247,353        |
| Disability Benefits                    | 9,940          | 9,848          |
| Survivor Benefits                      | 25,583         | 24,899         |
| <b>Total</b>                           | <b>288,195</b> | <b>282,100</b> |
| <b>Total Members and Beneficiaries</b> | <b>914,454</b> | <b>895,956</b> |

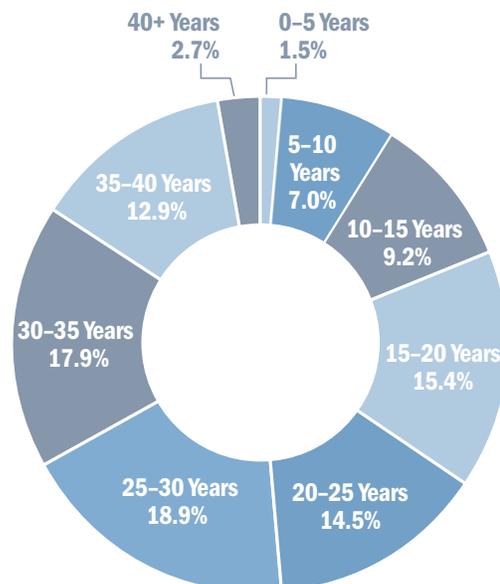
### Average Active Member Age and Years of Service

| Fiscal Year              | 2016     | 2015     |
|--------------------------|----------|----------|
| Average Age              | 45.4     | 45.5     |
| Average Years of Service | 12.1     | 12.2     |
| Average Annual Salary    | \$72,550 | \$69,597 |

### Members Retiring in 2016

| Fiscal Year                        | 2016     | 2015     |
|------------------------------------|----------|----------|
| Number Retiring                    | 11,374   | 11,278   |
| Average Age                        | 63.2     | 63.0     |
| Average Years of Service           | 24.504   | 24.221   |
| Average Annual Final Compensation  | \$87,948 | \$84,156 |
| Average Annual Member-Only Benefit | \$52,428 | \$49,704 |

### Years of Service at Retirement in 2016



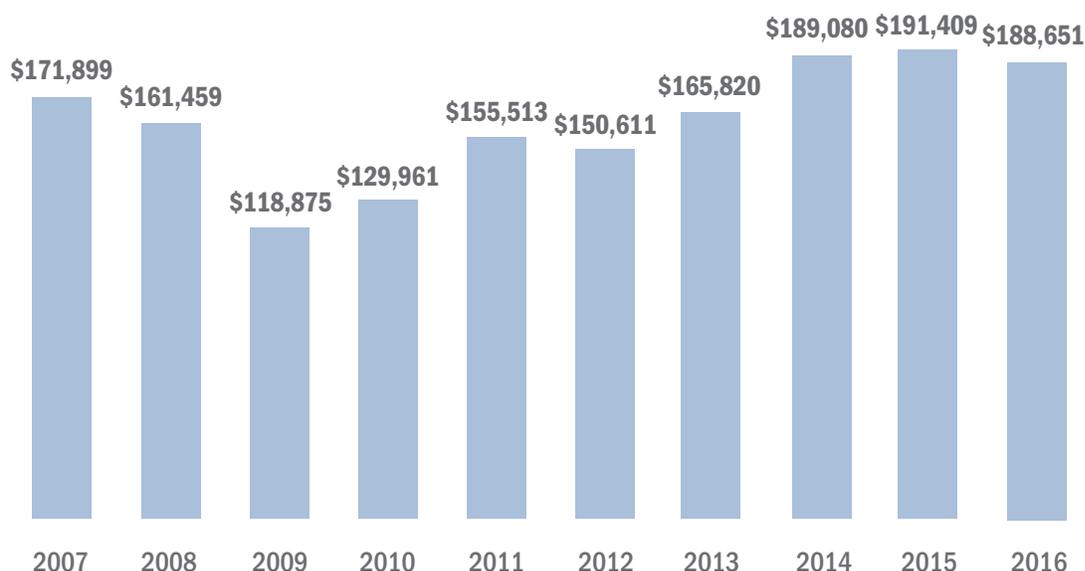
# Securing Your Financial Future

Portfolio values and performance results may vary from the information presented in the Basic Financial Statements of the Comprehensive Annual Financial Report due to rounding, portfolio management requirements and Generally Accepted Accounting Principles.

## State Teachers' Retirement Plan Market Value of Investments

Years ended June 30, 2016

(Dollars in Millions)



## Assets of Programs Administered by CalSTRS

As of June 30, 2016

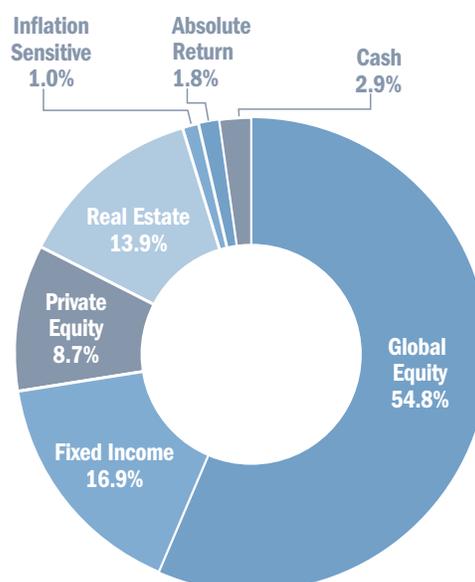
|   | Market Value | Rate of Return <sup>1</sup> |
|---|--------------|-----------------------------|
| Defined Benefit Program<br>(in billions)            | \$177.33     | 1.6%                        |
| Defined Benefit<br>Supplement Program (in billions) | \$11.04      | 1.6%                        |
| Cash Balance Benefit Program<br>(in millions)       | \$282.44     | (0.4%)                      |

<sup>1</sup> One year return calculated on a gross of fees time-weighted return basis.

## State Teachers' Retirement Plan Asset Allocation

Total Investment Portfolio of \$188.7 billion

As of June 30, 2016

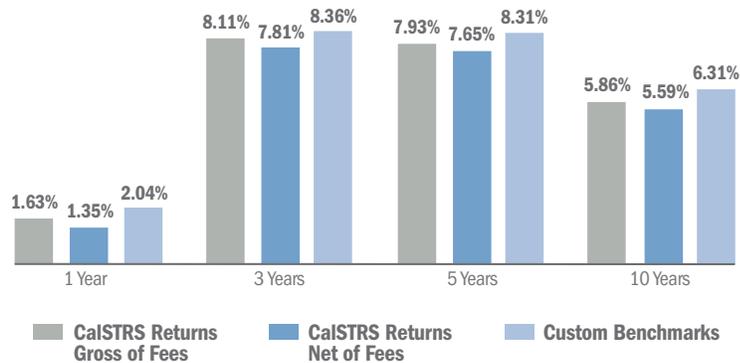


# Securing Your Financial Future continued

## Time-Weighted Portfolio Returns and Benchmarks

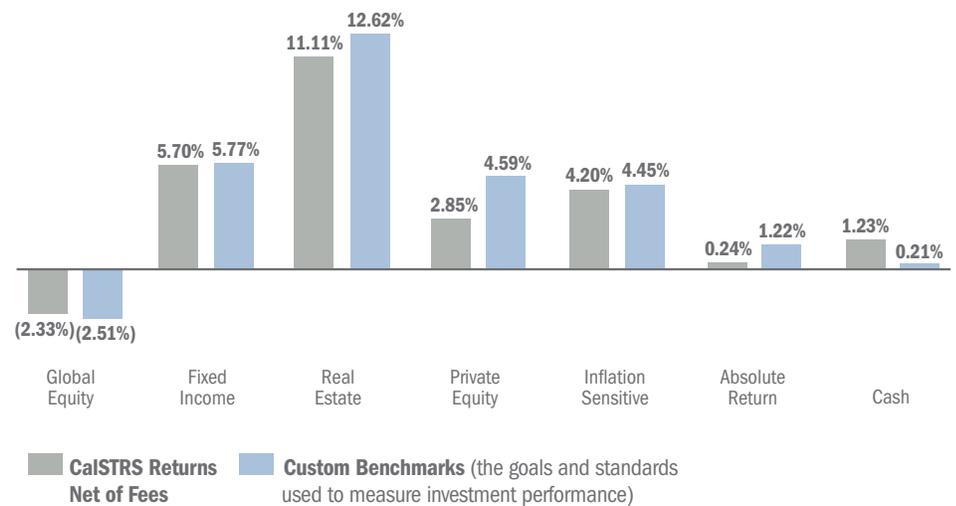
As of June 30, 2016

Benchmarks are goals and standards used to measure investment performance.



## Time-Weighted One-Year Returns

As of June 30, 2016



### CalSTRS Resources

**WEB**  
 CalSTRS.com  
 Click *Contact Us* to email  
 myCalSTRS.com  
 403bCompare.com  
 Pension2.com

**CALL**  
 800-228-5453  
 7 a.m. to 6 p.m.  
 Monday through Friday  
 916-414-1099  
 Calls from outside the U.S.  
 888-394-2060  
 CalSTRS Pension2® Personal  
 Wealth Plan  
 855-844-2468 (toll free)  
 Pension Abuse Reporting Hotline

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

**VISIT**  
**Member Services**  
 100 Waterfront Place  
 West Sacramento, CA 95605  
 Find your nearest CalSTRS office  
 at CalSTRS.com/localoffices

**FAX**  
 916-414-5040

### STAY CONNECTED





# myCALSTRS

## Securely Access Your Information Online, Anytime

myCalSTRS offers easy, secure and convenient online access to your accounts and CalSTRS forms. Once you complete the registration process at **myCalSTRS.com**, your myCalSTRS account will be active and you can:

- Update your contact information.
- View your annual *Retirement Progress Report* and other information reported by your employer.
- View your account balances.
- Name and update your beneficiary designations.
- Make a preretirement election of an option to secure a lifetime monthly benefit to a loved one when you die.
- Submit and receive secure messages to and from CalSTRS representatives.

- Complete and submit forms.
- Download publications.
- Link to your CalSTRS Pension2 account if you have one.

Getting ready to retire? Use myCalSTRS to:

- Complete and submit your *Service Retirement Application* online.
- Sign up to receive your payment by direct deposit when you submit your retirement application.

CalSTRS places high priority on cybersecurity and has strict policies and procedures in place to protect your personal data and ensure it remains private. Sign up at **myCalSTRS.com** today.



### myCalSTRS Help Videos

**Forgot your password?** Go to **CalSTRS.com/myCalSTRS-help-videos** for easy instructions on resetting your myCalSTRS password.

*continued from page 1*

## Teacher Talk: Spotlight on California’s Educators

### The art of letter writing

Over the last couple of years, Nemeth has collaborated with an English teacher in Seattle on a classroom pen pal project. Their students have gotten to know each other through video and email. This year, they are taking it old school with snail mail.

About 80 percent of the Riverdale High School students are Hispanic and have family members from Mexico. “It’s nice for the kids to meet students living in a big city who come from different cultures. My students really enjoy getting to know their pen pals.”

### What are you most proud of as a teacher?

“I’m there for my students, for the long run. You do it because you love the job. When my students graduate and go off in the big world, they’re still not done growing up. They can still message me or contact me or send me an essay to edit. I’m not a crutch. I don’t want to keep them babies forever, but I’m still there like a parent.”

- To be considered for a future profile, please email **Communications@CalSTRS.com**, with **Teacher Talk** in the subject line. Be sure to include your school name and district in your message.

# 403bCompare: Redesigned With Your Needs in Mind

Compare products and fees online to see how your current savings plan stacks up

By Jack Ehnes, CalSTRS CEO



Is your 403(b) working for you? How does it stack up compared to other 403(b) choices available? Good news! CalSTRS offers you a valuable resource as part of the recently redesigned 403bCompare website, making it easier than ever for you to compare plans and fees.

Since the passage of a 2004 law requiring 403(b) plan vendors to clearly disclose fees and product information, CalSTRS has been administering **403bCompare.com**. The site provides up-to-date information on hundreds of vendors and products, including fees and performance history.

403bCompare lets you easily compare 403(b) vendors and products offered by any of your employers so you can see how your current plan measures up. Plus, once you've identified the products you'd like to compare, they will be displayed in a convenient side-by-side layout to help you decide if it would make sense financially to roll over funds to another plan. Even a 1 percent difference in fees can affect the value of your funds over time.

The redesigned site features a bold, interactive look and feel. Be sure to check out the *My Next Steps* tool—an easy-to-use checklist to guide you through the process of comparing and selecting 403(b) products.

At **403bCompare.com**, you can:

- Register and create your own 403bCompare account for an easy and secure way to save information about comparisons and your favorite 403(b) investment products.
- Filter through hundreds of available 403(b) plans your district offers to quickly compare details like fees, features, investment performance and services using the *Compare Products* tool.
- Research information in the *Help and Resources* section on 403(b) and 457(b) plan fundamentals and basic financial awareness resources, as well as access an array of useful tools such as a glossary, videos, calculators and more.

➤ Visit **403bCompare.com** today and explore your options.



Compare fees at  
**403bCompare.com**  
and see the Pension2  
advantages for yourself!

## Now is the Perfect Time to Combine Your Retirement Accounts with CalSTRS Pension 2®

Combining your retirement accounts into one account means you will have less to keep track of while focusing on one investment strategy to meet your savings goals. By rolling over money currently in other qualified retirement plans to Pension2, CalSTRS' voluntary supplemental savings plan, you'll be able to manage your retirement savings in one place and benefit from some great features.

**Even better—you may be able to save on fees.** Why pay fees on multiple accounts, many of which may have investments with higher fees than the investment choices offered in Pension2? Even a 1 percent difference in fees can translate into more money in your account. To get a no-cost, no-obligation comparison of the fees you may pay elsewhere and with Pension2, call **888-426-2684**.

➤ See the Pension2 ebook at **Pension2.com** to learn more.

## Power of Attorney: Protect Your Loved Ones and Yourself

If you become incapacitated and can no longer manage your financial affairs, we need to know if you've given someone the legal authority to make decisions or inquiries related to your CalSTRS account and benefits.

A durable power of attorney is the most common way to delegate authority to act on your behalf. This document permits you to act as a principal and appoint an agent, identifies the extent of authority you've granted and dictates when that authority becomes effective. It can be drafted by an attorney or purchased as a commercially available fill-in-the-blank form (we do not provide this form). By designating a power of attorney, you and your loved ones will know that decisions made on your behalf will be made by someone you trust.

If you've already designated a durable power of attorney, we may require your agent to submit a *Declaration of Attorney-in-Fact* form affirming his or her authority each time he or she makes a request. You can request the form by calling us at **800-228-5453**.



## Board Elects Chair and Vice Chair

At its April board meeting, the Teachers' Retirement Board elected Dana Dillon as board chair and Sharon Hendricks as vice chair for the 2017–18 term. Dillon is an intermediate grade school teacher from Weed and has served on the board since 2003, including stints as chair and vice chair. Hendricks is a communications studies professor with the Los Angeles Community College District and was elected to the board in 2011. To learn more, view the April 6 press release at [CalSTRS.com/news-releases](http://CalSTRS.com/news-releases).

## Governor Appoints Retiree Member to Board

In April, Gov. Brown appointed Karen Yamamoto of Sacramento to the Teachers' Retirement Board as the retired members' representative. She is a former second grade teacher for the Washington Unified School District in West Sacramento. See the Governor's website at [gov.ca.gov](http://gov.ca.gov) for more information.

## CalSTRS Investments Receives Top Honors

CalSTRS was named by *Pensions & Investments*, a global news source for the money management industry, as a "Best Place to Work in Money Management" for 2016. The recognition program is dedicated to identifying and recognizing the best employers in the investments industry.

"This is the second time CalSTRS has been honored, which is exceptionally meaningful given we are the only plan sponsor/asset owner to receive this award. This recognition again validates our culture, investment philosophy and especially our outstanding team. We have built a unique workplace within the money management industry and especially within a governmental entity," said CalSTRS Chief Investment Officer Christopher J. Ailman.

Ailman was also recognized as one of 2016's Investors in Education by the Neighborhood Youth Association of Los Angeles. Both Ailman and CalSTRS were recognized for the support the pension system provides to California's educators. Additionally, Chief Operating Investment Officer Debra Smith was recognized as 2016's black woman in business leadership by the National Coalition of 100 Black Women's Sacramento Chapter. The 2016 Leadership in Business Award recognizes the accomplishments of black women in the financial investment services industry.

## CalSTRS Resources

- WEB** CalSTRS.com  
Click *Contact Us* to email  
myCalSTRS.com  
403bCompare.com  
Pension2.com
  - CALL** 800-228-5453  
7 a.m. to 6 p.m.  
Monday through Friday  
916-414-1099  
Calls from outside the U.S.  
888-394-2060  
CalSTRS Pension2®  
Personal Wealth Plan  
855-844-2468 (toll free)  
Pension Abuse Reporting Hotline  
916-414-1411  
CalSTRS Ombudsman
  - WRITE** CalSTRS  
P.O. Box 15275  
Sacramento, CA 95851-0275
  - VISIT** Member Services  
100 Waterfront Place  
West Sacramento, CA 95605  
Find your nearest  
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  - FAX** 916-414-5040
- STAY CONNECTED 

## Preparing for Retirement?



Whether retirement is down the road or right around the corner, like us on Facebook and stay up-to-date with relevant retirement news and information.

- Ask questions and share your opinions.
  - Exchange ideas with other educators.
  - Learn about retirement planning options.
- Join the conversation at **Facebook.com/CalSTRS**.

## Moved Recently?



Update your contact information online using your *myCalSTRS* account or complete the *Address Change Request* form, available at **CalSTRS.com/forms**.

- For your security, when you make a change to your mailing address, we will send you a letter and an email confirming the change.