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CALSTRS Connections

YOUR MONEY MATTERS

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS

► Board Members to Serve Another Four-Year Term

The three member-representatives to the Teachers' Retirement Board were recently elected and each will serve a four-year term beginning January 1, 2016.

Two board members represent prekindergarten to 12th grade:

- **Dana Dillon**, an intermediate grade school teacher from Weed, CA. She has served on the Teachers' Retirement Board since her election in 2003, including stints as chair and vice chair. Ms. Dillon has been active in the California Teachers Association for more than 26 years, serving as state council representative and an elected member of its board of directors. Ms. Dillon's re-election has been certified for the preK–12 (non-administrator) seat.
- **Harry M. Keiley**, a high school teacher with the Santa Monica-Malibu Unified School District. He was first elected to the Teachers' Retirement Board in 2007 and served as vice chair from 2010 to 2014. In 2011, he was elected for a second term. Mr. Keiley has served as chair since 2014. He has served as the president of the Santa Monica-Malibu Classroom Teachers Association and chair of the California Teachers Association Political Involvement Committee. Mr. Keiley's re-election has been certified for the preK–12 (inclusive) seat.

The following board member represents community college educators:

- **Sharon Hendricks**, a communications studies professor with the Los Angeles Community College District. She was first elected to the Teachers' Retirement Board in 2011. Ms. Hendricks was

elected as vice chair in 2014 and was recently re-elected for the 2015–2016 term. She also serves as president of the American Federation of Teachers, local 1521 chapter at Los Angeles City College. Ms. Hendricks is active in the Community College Council of the California Federation of Teachers.

Legislation in 2003 established the election of these three seats to the 12-member Teachers' Retirement Board, which sets policy, regulations and guidelines for CalSTRS. This year, the inclusive and community college educator seats received only one candidate nomination each. Election regulations state that in such cases, upon verification of the signatures the candidates presented in their nominating packets, the remaining election procedures are to be canceled. The candidates, Harry Keiley and Sharon Hendricks, were certified as elected in March.

There were two candidates for the non-administrator seat, but upon the formal withdrawal of one candidate, the same single candidate regulations applied. Dana Dillon was certified elected on April 13, 2015.

Since each vacant seat has been certified elected, the scheduled October 2015 distribution of voter ballots has been canceled. The next election process for member-representative seats will begin in 2018 with a Notice of Election.

The board also includes members appointed by the Governor and confirmed by the Senate representing the public, school boards and retired members as well as four ex-officio board members: State Controller, State Superintendent of Public Instruction, State Treasurer and Director of Finance.

CalSTRS Mission:

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

Teachers' Retirement Board

- Harry Keiley, Chair
- Sharon Hendricks, Vice Chair
- John Chiang
- Michael Cohen
- Dana Dillon
- Joy Higa
- Paul Rosenstiel
- Tom Torlakson
- Thomas Unterman
- Nora Vargas
- Betty Yee

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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

Keeping Investment Decisions Responsible and Sustainable

By Harry Keiley, Chair
Teachers' Retirement Board



For the first time in nearly a decade, CalSTRS' projections indicate contributions are sufficient to meet our future obligations based on the current investment assumption rate of 7.5 percent. With the new CalSTRS Full Funding Plan, enacted in Chapter 47, Statutes of 2014 (Assembly Bill 1469-Bonta), we are no longer projecting a depletion date. Instead, the CalSTRS Defined Benefit Program is projected to be fully funded by 2046.

At our April board meeting, we adopted the actuarial valuation of the Defined Benefit Program as of June 30, 2014. The gap between current assets and the obligations facing the system—known as the unfunded actuarial

obligation, or funding gap—has shrunk to \$72.7 billion, a nearly one billion dollar decrease from the previous year's \$73.67 billion.

The decrease of the funding gap means that the system is now 68.5 percent funded, up 1.6 percent from the 66.9 percent identified in the previous year's valuation. In short, the Defined Benefit Program has slightly less than 69 cents on hand for every dollar owed to our members.

The recently adopted actuarial valuation is a snapshot of CalSTRS financial status as of June 30, 2014. Over the past 20 years, CalSTRS has earned an 8.4 percent return on investments, well above the actuarially assumed 7.5 percent.

The finding reflects increases in contributions from members, the state and school districts as required by AB 1469, which will bring us to full funding by 2046. This funding plan ensures we will continue to provide retirement benefits to California educators long into the future.

Governor Appoints Nora Vargas to Board

Governor Brown recently appointed Nora Vargas of Chula Vista to the school board representative position on the Teachers' Retirement Board. Ms. Vargas is vice president of the Southwestern Community College District Governing Board and chair of the Hispanas Organized for Political Equality Board of Directors. The appointment is subject to Senate confirmation.

With Ms. Vargas' confirmation, the board will have 11 members. The Governor still has a retired educator position appointment to fill. For more information, please see the Governor's website at gov.ca.gov.

► Things to Do Now

Whether you are just starting your career or have been enjoying it for a while, CalSTRS offers valuable information and services for you.

Early career members, have you...

Established your myCalSTRS account?

Manage your account information, designate your one-time death benefit recipient, access your *Retirement Progress Report* and much more online. Go to myCalSTRS.com to set up your account if you haven't already done so.

Designated a beneficiary?

Regardless of how much service credit you've earned, your contributions and interest earned will eventually be paid to you or your beneficiaries. Be sure to designate a beneficiary and keep this information up to date. Log in to your *myCalSTRS* account to designate your one-time death benefit recipient or complete the *Recipient Designation* form, available at CalSTRS.com/forms.

Established a supplemental retirement savings account?

It's never too early to start saving for your future. The median CalSTRS retirement benefit replaces about 50 percent of a member's salary. You'll need to close any gap between your income and your retirement benefit with savings and investments, such as CalSTRS Pension2. Visit Pension2.com to learn more. Also see page 4.



Mid-career members, have you ...

Reviewed your Retirement Progress Report recently?

Take a moment to review your *Retirement Progress Report* to ensure your beneficiary designations are current, check service credit and retirement estimates, and more. If you believe there's a discrepancy in your report, don't wait to correct errors. Contact your employer immediately. You'll find your current and past reports on your *myCalSTRS* account.

Attended a CalSTRS workshop?

Investing just a couple of hours in attending an educational workshop will help you make informed decisions when it comes time to apply for retirement. Visit CalSTRS.com/workshops for workshop descriptions and locations near you.

Purchased service credit, if you're eligible to do so?

The more service credit you have at retirement, the greater your CalSTRS retirement benefit will be. It's less expensive to buy service credit now than later in your career, and it could pay off in the long run! Watch the *Purchasing Service Credit* video at CalSTRS.com/videos. Also see the *Purchase Service Credit Now* fact sheet and *Purchase Additional Service Credit* booklet at CalSTRS.com/publications to learn more.

Learned how your retirement benefit will be calculated?

Your retirement benefit is based on a formula that takes into account your service credit, age factor and final compensation. Understanding how those three components work together to make up your retirement benefit will help you make smart financial decisions and retire on your terms. Watch our video, *Understanding the Formula*, at CalSTRS.com/videos to learn more.

Calculated your projected retirement benefit online?

Estimate your projected retirement benefit using the calculator at CalSTRS.com/calculators.

► Remember—it's never too early to start planning for your future!

► Focus on Your Future With myOrangeMoney™

CALSTRS

pension 2
personal wealth plan

Put the power of a tax-deferred 403(b), 457 or Roth 403(b) account to work for you!

You're helping your students build their futures—don't forget about yours.

CalSTRS Pension2® is CalSTRS' voluntary defined contribution plan. Pension2 offers 403(b), 457 and Roth 403(b) plans for additional retirement savings.

- Investment options that match all levels of investment ability:
 - » **Easy Choice Portfolios**—designed to take into account your risk tolerance and retirement date. Each is a ready-made mix of the core investment options.
 - » **Core Investment Options**—build your own portfolio from a carefully selected list of more than 20 funds.
 - » **Self-Directed Brokerage Account**—gives you access to a greatly expanded range of mutual funds.
- Simple, low-cost and transparent fee structure.
- No commissions or surrender charges.
- Easy payroll deduction of contributions.
- Powerful planning tools and education resources.
- 24/7 account access.



Check out the Pension2 eBook at Pension2.com.

► Compare California's 403(b) plans at 403bCompare.com.



Keep your retirement goals on track with two new easy online planning tools

Whenever you log into your account at Pension2.com, you can use myOrangeMoney™ to see your estimated monthly income in retirement and your Personal Financial Dashboard to organize your finances.

myOrangeMoney is designed to help you focus on what matters most—how your accumulated savings translate into estimated monthly income in retirement. The myOrangeMoney experience sees potential income generation as the foundation for every interaction you have with your Pension2 account.

The Personal Financial Dashboard is an easy way to organize your finances. This tool gives you a private, secure online environment to set your financial goals, assess where you stand today, create budgets, track spending and more. Using the dashboard consolidation feature allows you to add all your accounts into one place, so you always have a current and comprehensive view of your finances.

► Moved Recently?

Update your address now on *myCalSTRS*

Do we have your current mailing and email addresses? Update your contact information on *myCalSTRS* so you don't miss important mailings from us.

► One-Time Death Benefit Recipient

Have you reviewed your one-time death benefit recipient information lately? Make sure the information is current.

You can change your one-time death benefit recipient at any time without any financial penalty.

Make any changes or updates using your *myCalSTRS* account or by completing a new *Recipient Designation* form. The form is available on CalSTRS.com or call us at **800-228-5453** and we'll mail the form to you.

► Reminder: Member Contribution Rates to Increase July 1

Under the CalSTRS 2014 Full Funding Plan, your member contribution rates for the 2015–16 school year will be increasing July 1:

- **For 2% at 60 members** (those first hired on or before December 31, 2013): increasing from 8.15 percent to 9.20 percent.
- **For 2% at 62 members** (those first hired on or after January 1, 2013): increasing from 8.15 percent to 8.56 percent.

In addition, the employer contribution rate will be increasing from 8.88 percent to 10.73 percent. To learn more, see CalSTRS.com/calstrs-2014-funding-plan.

► 2015 Retirement Progress Reports Available Online In September

Your *2015 Retirement Progress Report* will be available online at *myCalSTRS* in early September. When you view your personalized overview of your CalSTRS account, you'll be able to:

- Access reports from 2002 to the present at any time by logging into your *myCalSTRS* account.
- View the Employer Detail screen to review your annual contributions, earnings and service credit reported by your employers from 2009 to the present.
- Find a glossary to help explain terms used in the report.

If you don't have a *myCalSTRS* account, it's easy to register. Just go to myCalSTRS.com and select *Register Now* to begin the guided process, or watch the step-by-step *myCalSTRS* registration video at CalSTRS.com/video/myCalSTRS.

If you would like to receive your report in the mail, you must change your delivery preference by July 1, 2015, to ensure delivery (if you currently receive your report in the mail, you do not need to submit a new request). Change your mailing preference online on *myCalSTRS* or by submitting a *Retirement Progress Report Delivery Preference* form, available on CalSTRS.com, at a local counseling office or by calling **800-228-5453** to have a form mailed to you.



► We're Looking for San Francisco Bay Area Educators

We want to use photos of real educators on the covers and inside spreads of our member publications. If you are interested in participating in a photo shoot and live in the San Francisco Bay Area, please send your contact information to Veronica Espinoza at vespinoza@CalSTRS.com.

► Taking Sustainability into the Next Century

By Jack Ehnes, CalSTRS CEO



I am pleased to announce our inaugural 2013–14 *Sustainability Report: The Next 100 Years*, demonstrating our commitment to progressive environmental, social and governance practices. CalSTRS is the first U.S. public pension plan to embark upon sustainability reporting in accordance with Global Reporting Initiative guidelines. These guidelines provide a framework to establish a pathway forward and help ensure our viability for our next hundred years.

The report evaluates our initiatives around retirement security, the economic impact of our investments on California, transparency and privacy in our business practices, our headquarters' environmental efforts and performance, and other critical issues of the year. One such issue, the 2014 CalSTRS Full Funding Plan, highlights the importance of preserving the integrity, strength and sustainability of our system.

Our long-term vision seeks to align our sustainability beliefs with every facet of our business plan. Our long-term goal is to accelerate into a fully sustainable global organization. However, these values are more than a reporting feature of our business model—they are the very essence of CalSTRS.

Success in generating *The Next 100 Years* would not have been possible without the support and participation of our members, employees and our other stakeholders. Through a materiality survey, we solicited stakeholders like you, to help us prioritize our most important initiatives. Your participation in this effort illustrates the importance of collaborative, long-term thinking for the benefit of future generations. This is a key sustainable tenet.

As a responsible investor, we recognize that social, environmental and governance risks can have a significant financial impact. We diversify our portfolio with holdings throughout the world to maximize our returns and mitigate risk; and we are committed to provide a stimulating, healthy and supportive environment for our staff, our members and our business partners.

To ensure our mission to California's educators is diligently carried out in every aspect of our business, CalSTRS must grow strategically and resourcefully. Understanding how to best manage long-term risks must be at the foundation of a financial services organization such as ours.

Completing this report demonstrates our commitment to progressive environmental, social and governance practices. By incorporating sustainability performance reporting into our strategic planning and business practices, we ensure the long-term viability of CalSTRS.

One hundred years ago, CalSTRS was founded on the principle that hard-earned retirement benefits reward decades of classroom service. This principle remains constant throughout our history and supports our business model now and in the future.

- According to GRI, a sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy. Since 1999, GRI has provided a core reporting framework that is widely used around the world. As a result of the credibility, consistency and comparability it offers, GRI's framework has become a de facto standard in sustainability reporting.

📄 Explore our new dedicated Sustainability site on CalSTRS.com/sustainability.

Go to CalSTRS.com/report/2013-14-calstrs-sustainability-report or scan here to read the report.



Defined Benefit Program

Total Members

653,130

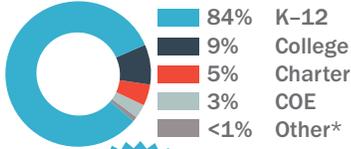
Active Members 64%

416,643

Retired Members 36%

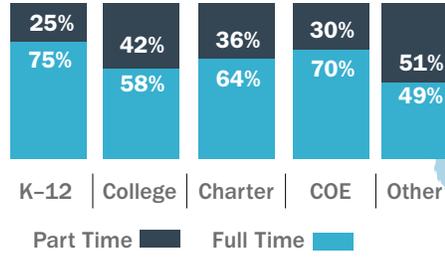
236,487

Active Members By Employer Type



84%
K-12

Active Members by Employer Type and Time Base



Members with full-time assignments account for most of the Defined Benefit Program. 73 percent of all active members have full-time assignments, and 27 percent have part-time assignments.

Total
112,567
304,076

Active Members by Gender

Female members comprise a large majority of the Defined Benefit Program. **72 percent** of all active members are female, and **28 percent** are male.



Active Members' Average Age by Employer Type

Charter School members have the lowest average age in which they become members. Similarly, the average current age of active Charter School members is less than that of any other employer type.

	Entry Age	Current Age
K-12	30.8	45.4
College	37.5	51.1
Charter	30.0	38.7
COE	33.3	48.1
Other	38.2	49.5



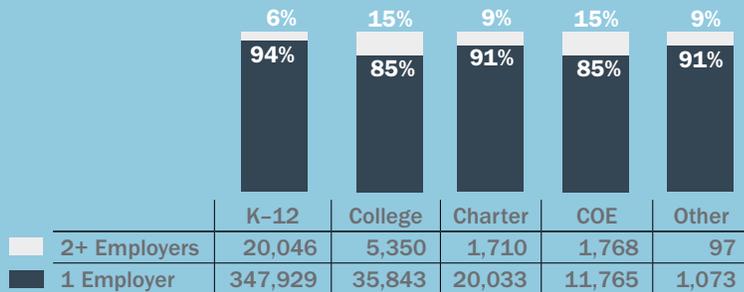
Retired Members' Average Age and Service Credit by Employer Type

K-12 members have the highest average amount of total service credit at retirement, while members in the Other segment have the lowest. There is less variation between employer types regarding the average retirement age of recently retired members.

	Retirement Age	Service Credit at Retirement
K-12	62.3	24.7
College	64.9	21.2
Charter	62.2	17.8
COE	62.6	22.9
Other	63.8	15.4

Active Members by Number of Employers and Employer Type

The Community College and County Office of Education segments have the largest percentage of active members with multiple employers.



Retired Members' Average Compensation by Employer Type

Recently retired County Office of Education members have the highest average final compensation and the highest average unmodified benefit.

	Final Compensation	Unmodified Benefit
K-12	\$80,500	\$48,094
College	\$86,534	\$48,677
Charter	\$73,385	\$31,148
COE	\$87,934	\$49,923
Other	\$65,279	\$24,780

* The Other segment includes regional occupational programs in which career technical education is provided through the California Department of Education's Regional Occupational Centers, as well as a small population of members with employers that are primarily state agencies.

CalSTRS Resources

WEB	CalSTRS.com Click <i>Contact Us</i> 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	

▶ New Member Service Center Coming to Riverside

Members in the Inland Empire area soon will have a new, full-service member service center in Riverside. With the opening of this member service center—along with current centers in Glendale, Irvine, Santa Clara and at our West Sacramento headquarters—our services are even closer to you.

The Riverside Member Service Center will be in a secure, contemporary, LEED-certified building that offers:

- Parking for CalSTRS members.
- General walk-in assistance.
- CalSTRS publications and forms.
- Convenient and consistent hours of operation, year-round: Monday through Friday, 8 a.m. to 5 p.m.

To learn more about the services for active and inactive members at your local member service center:



800-228-5453



CalSTRS.com/contactus
CalSTRS.com/workshops
CalSTRS.com/benefits-counseling
CalSTRS.com/forms-drop

Member Service Center Locations

West Sacramento	Glendale	Santa Clara	Irvine	Riverside
100 Waterfront Place West Sacramento, CA 95605	505 North Brand Blvd., Suite 200 Glendale, CA 91203	3945 Freedom Circle, Suite 350 Santa Clara, CA 95054	2010 Main Street, Suite 750 Irvine, CA 92614	Opening Late July 2015



2014 | FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Summary Report to Members

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

This summary provides important details regarding your retirement fund.

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

Teachers' Retirement Fund Statement of Changes in Fiduciary Net Assets

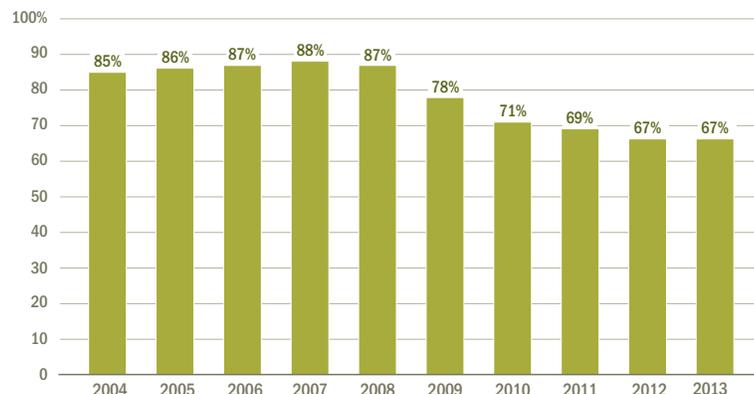
For the fiscal years ended June 30, 2014, and 2013	2014	2013
Net Assets Held in Trust, Beginning of Year	\$166,348,909	\$151,318,057
Additions		
Contributions (member, employer, State of California, federal government)	5,919,247	5,948,292
Investment Income	30,706,172	21,044,722
Investment Expense	(304,269)	(362,284)
Other Income	2,055	1,241
Total Additions	36,323,205	26,631,971
Deductions		
Benefits and Refunds	12,035,156	11,459,727
Administrative Expenses	154,155	136,944
Other Expenses	8,787	4,448
Total Deductions	12,198,098	11,601,119
Net Increase	24,125,107	15,030,852
Net Assets Held in Trust, End of Year	\$190,474,016	\$166,348,909

(Dollars in Thousands)

Defined Benefit Funding Ratio

Actuarial Value of Assets as a Percent of Accrued Liabilities

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 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.



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



Defined Benefit Program

Membership in 2014

Fiscal Year	2014	2013
Active Members	420,887	416,643
Inactive Members	182,815	182,576
Total	603,702	599,219
Service Retirements	241,920	236,487
Disability Benefits	9,604	9,374
Survivors Benefits	24,103	23,413
Total	275,627	269,274
Total Member and Beneficiaries	879,329	868,493
Total Benefit Payments	\$12.04 billion	\$11.46 billion

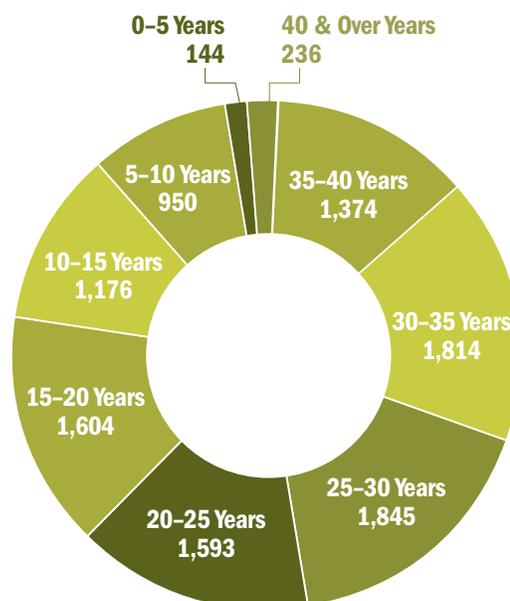
Average Active Member Age and Years of Service

Fiscal Year	2014	2013
Average Age	45.6	45.6
Average Years of Service	12.3	12.2
Average Annual Salary	\$67,276	\$65,571

Members Retiring in 2014

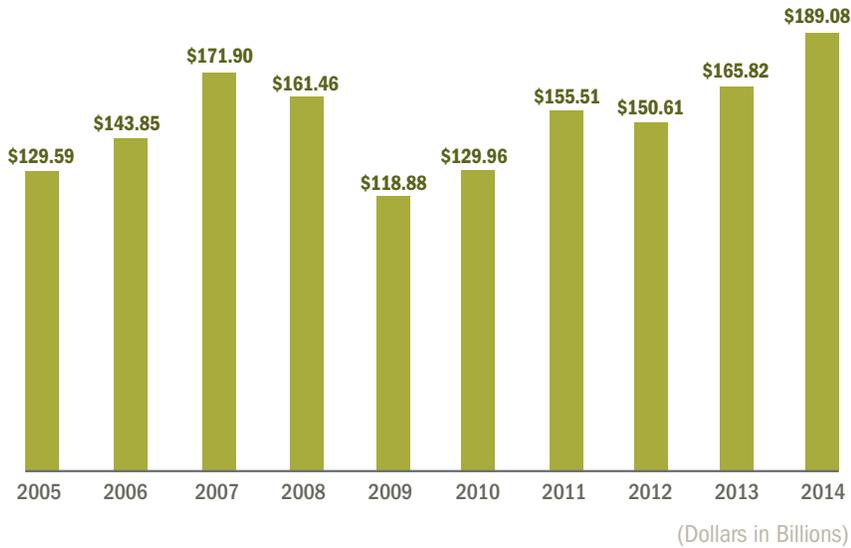
Fiscal Year	2014	2013
Number Retiring	10,736	11,645
Median Age	62.3	62.2
Median Years of Service	24.7	24.9
Average Member-Only Benefit	\$3,939	\$3,980

Years of Service at Retirement in 2014



Securing Your Financial Future

Teachers' Retirement Fund Market Value of Investments

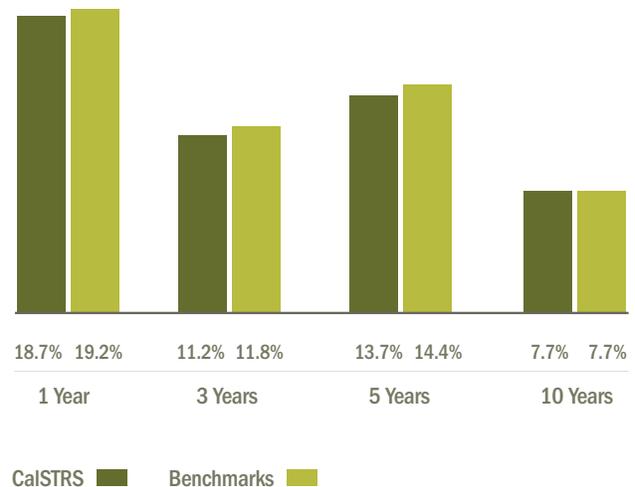


Assets of Programs Administered by CalSTRS

	Market Value	Rate of Return
Defined Benefit Program (in billions)	\$178.26	18.7%
Defined Benefit Supplement Program (in billions)	\$10.58	18.7%
Cash Balance Benefit Program (in millions)	\$236.79	19.5%
CalSTRS Pension2® (in millions)	\$615.10	11.6%

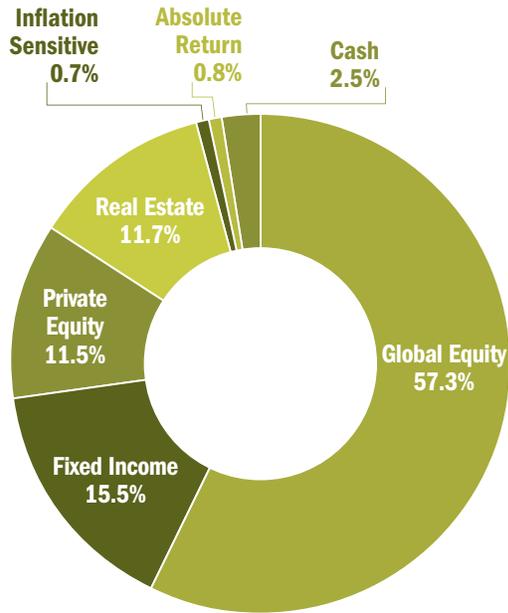
Portfolio Returns and Benchmarks

Benchmarks are goals and standards used to measure investment performance.



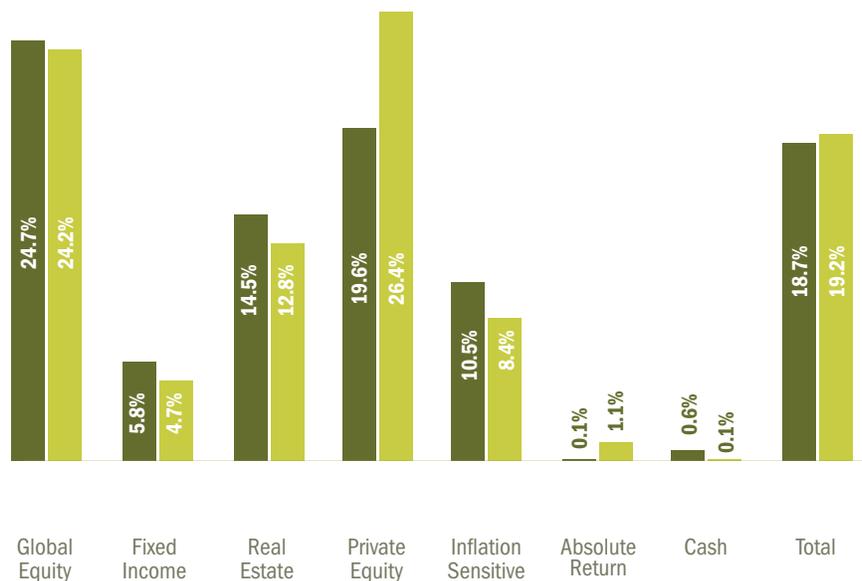
Securing Your Financial Future *continued*

Teachers' Retirement Fund Asset Allocation



One-Year Returns

Calculated using a time-weighted rate of return



CalSTRS
 Benchmarks (the goals and standards used to measure investment performance)

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
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

