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CALSTRS Connections

YOUR MONEY MATTERS

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.



Jason Davis,
fifth-grade teacher
Chaparral
Elementary School
Chino Hills

"Incorporating robotics is a way to teach science and math," said Jason Davis, a fifth-grade teacher at Chaparral Elementary School in Chino Hills who got the idea to teach robotics after seeing an ad for a robot built out of Lego parts. "I thought how cool would it be for the kids in my class to build and program a robot, especially something made with Lego?"

He saw immediate results from students working with the Lego robot kit. They figured out how to move the robot backward and forward using mathematical integers, although they hadn't yet covered integers in class.

"It was a real-world application of mathematics and it was meaningful to the students," Davis said.

Davis entices students to read interesting news articles about practical uses of science and math in the real world. A story about the use of 3-D printers to create prosthetic hands got his students excited. He applied for and won a grant to provide money for their own prosthetic hand project, which helped his students learn math, engineering and measurement. The prosthetic hand created by his class was donated to someone in their local community who was in need of one.

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**You May Qualify for
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Loan Forgiveness**

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Available
on myCalSTRS**

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CalSTRS Mission:

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

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Tom Torlakson
Thomas Unterman
Nora E. Vargas
Betty Yee

Jack Ehnes
Chief Executive Officer

Christopher J. Ailman
Chief Investment Officer

Editor

Laura Martin

Designers

Ngan Bui
Casey McCracken

Contributors

Tom Barrett
Alisa Dobbins
Ellen Maurizio
Nicole Naddy
Michael Sicilia
Michael Whitehead
Melissa Wiese

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.

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

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▶ Board Approves Enhanced Corporate Governance Principles

By Dana Dillon, Teachers' Retirement Board Chair



In the interest of protecting long-term shareholders, corporate board accountability remains a top priority of both the Teachers' Retirement Board and CalSTRS. As stated in the CalSTRS Corporate Governance Principles, an effective board is one that's composed of directors with a diverse mix of skills, experience, expertise and perspectives—and that focuses on the company's business needs and challenges.

At our July meeting, the Teachers' Retirement Board approved policy changes to the Corporate Governance Principles that focus primarily on board diversity, governance structure and composition of public company boards, as well as climate change risk management expertise.

The focus of this column is on the policy changes that emphasize CalSTRS' support for boards possessing a diverse mix of skills, attributes and experience, which includes the management of risks faced by various public companies. Having a wide and diversified range of skills, expertise and exposure to market trends is critical in maintaining the knowledge base and accountability of corporate boards. These principles guide our voting at corporate shareholder meetings, a process known as proxy voting, which is one of the most important tasks we undertake as a long-term shareholder in support of our fiduciary responsibility to our members. Voting on the directors who serve on corporate boards is an important task because they serve as our representatives inside the boardroom. Sound board diversity, structure and overall effectiveness are good corporate governance practices, which are the keystones to long-term, healthy corporate performance.

Overall, governance and shareholder rights have improved dramatically over the past couple of decades. Unfortunately, the same cannot be said in regards to corporate board diversity. For example, female directors make up less than 20 percent of boards listed on Standard & Poor's 500 index, and only five companies in the Fortune 1000 actually have gender parity. Changes to the principles further define CalSTRS' right to hold boards of directors accountable and, ultimately, vote against the directors if, after engagement, no action is taken to address the lack of board diversity. Diversity is not only a social issue; it is also about mitigating risk, improving corporate accountability, expanding thought processes and ideas, and enhancing long-term value for shareholders.

CalSTRS also made several additions that address executive compensation standards. While many of the additions were implicit in our previous Corporate Governance Principles, we increased emphasis on equity awards outside the normal incentive plan, as well as the use of peer groups in determining executive pay structures. As executive compensation continues to be an issue in the United States, it is imperative that investors stay vigilant to ensure alignment between management interests and those of the shareholders.

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► A Special Needs Trust Can Now Be Designated as an Option Beneficiary

Under a new law effective January 1, 2017, Defined Benefit Program members and Cash Balance Benefit Program participants may designate a special needs trust—sometimes called a supplemental needs trust—as an option or annuity beneficiary to provide an ongoing benefit to a disabled individual.

Assembly Bill 1875 (Chapter 559, Statutes of 2016) also allows members and participants to change an existing option or annuity beneficiary to a special needs trust without penalty, if the trust's beneficiary is the same as the previously named option or annuity beneficiary.

Previously, option beneficiaries could only be a person or persons. If members or participants wished to provide a lifetime benefit to a disabled person, they could not do so without jeopardizing that individual's eligibility for other public benefits and services. A special needs trust shields the assets and income of disabled individuals and protects their eligibility for other public benefits and services.

To make this election, submit a written request to CalSTRS with documentation substantiating the individual's trust meets all applicable federal requirements. If the trust qualifies under AB 1875, we will place the option election on your account immediately at no cost to you.

► 2016 Annual Member Survey Findings: Educate Yourself to Prepare for Your Future

Every year we conduct a Member Satisfaction Survey to learn how we can better meet your expectations. As we've done with past surveys, this year's survey assessed a random sample of members. Below are some insightful findings from active members who are 49 years and younger on how financially prepared they are for retirement, along with actions you can take now for your secure retirement.

Know your retirement gap: Of those who responded to the survey, 59 percent reported being aware they may need income in addition to their CalSTRS benefit to meet their financial goals in retirement. The median CalSTRS retirement benefit replaces about half of a member's final salary. Find out more about closing any gap between your target retirement income and your CalSTRS benefit by watching the short video, "The Gap," at CalSTRS.com/videos.

Estimate your anticipated CalSTRS retirement benefit: Thirty-nine percent reported they have estimated their anticipated CalSTRS benefit. Estimate yours at CalSTRS.com/calculators.

Estimate your income needed in retirement: Of the members who estimated their retirement benefit, 73 percent also estimated their retirement income needs, including inflation factors. Download helpful budget and income estimate worksheets at CalSTRS.com/financial-awareness.

Determine if your anticipated benefit will be sufficient to meet your retirement income needs and make a plan to address any shortfall: Out of those who estimated their anticipated benefit and retirement income needs, 66 percent reported their CalSTRS benefit alone won't be sufficient. All but 10 percent of those members reported having a plan to address the shortfall.

The most frequently reported shortfall plan was investing additional income into a supplemental retirement savings plan, such as CalSTRS Pension2, a voluntary defined contribution plan available to members. Other responses included delaying retirement to increase benefit income, having additional sources of retirement income and paying off debt. You can learn more about planning your retirement income and expenses through our Financial Awareness Series workshops at CalSTRS.com/financial-awareness.

Survey results were presented to the Teachers' Retirement Board in September. Visit CalSTRS.com/teachers-retirement-board and click the *Public Meeting Notices and Agendas* link. You'll find the survey under *PowerPoint Presentations*.

► 2015–16 Retirement Progress Report Available on *myCalSTRS*

Your *Retirement Progress Report* for 2015–16 is now available online. Keep tabs on your CalSTRS account and service credit balances by reviewing your report every year. If you are 45 or older, your report will also include two estimates of your retirement benefits. Log on to your secure *myCalSTRS* account at myCalSTRS.com, select *View Your Retirement Progress Report* and then select the year and account type.

- Review your current report online as well as your reports dating back to 2002.
- Use the online Glossary if you have any questions about terms used in the report.
- Select the Employer Detail screen to view a breakdown of your earnings, contributions, compensation earnable and service credit by employer and by assignment.

If you want a copy of your report mailed to you next year, update your delivery preference on *myCalSTRS* through the *Your Profile* screen, or submit the *Retirement Progress Report Delivery Preference* form, available at CalSTRS.com/forms. Your request must be received by July 1, 2017.



If you believe there's a discrepancy in your report, contact your employer immediately.

► You May Qualify for Federal Student Loan Forgiveness or Cancellation

The U.S. Department of Education's Office of Federal Student Aid offers two types of loan forgiveness programs for teachers—the Teacher Loan Forgiveness Program and Teacher Cancellation for Federal Perkins Loans.

Teacher Loan Forgiveness Program

If you teach full time for five complete and consecutive academic years in certain elementary and secondary schools, educational service agencies that serve low-income families, and meet other qualifications, you may be eligible for forgiveness of up to a combined total of \$17,500 on your Direct Subsidized and Unsubsidized Loans and your Subsidized and Unsubsidized Federal Stafford Loans.

Teacher Cancellation for Federal Perkins Loans

If you have a federal Perkins Loan and you teach full time at a low-income school, or teach in certain subject areas, you may be eligible for loan cancellation or deferment. Contact the school that made your federal Perkins Loan for more information.

- To learn more about qualifications for these loan forgiveness programs, go to studentaid.ed.gov and click *How to Repay Your Loans*, then choose *Forgiveness, Cancellation, and Discharge*.



Pay less to invest for your future.

Will your CalSTRS retirement benefit be enough?

A CalSTRS retirement benefit will replace on average about 50 to 60 percent of a member's salary. One of the smartest ways to save is to invest in a 403(b), 457(b) or IRA tax-advantaged account. It's never too early to start. Already saving? Congratulations!

As you choose a plan, it's important to do your research and consider fees. Not all plans are alike. And not all plan providers charge fees the same way. Pension2 gives you these advantages:

- Simple, easy to understand fees.
- No commissions, no load fees and no surrender charges.
- Low-cost investment options.
- Personal assistance and helpful services.

 Toll free 844-electP2 (844-353-2872)  Pension2.com

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403bCompare is your resource for information on the 403(b) plans offered by your school district.

Visit 403bCompare to:

- Learn about the advantages of a 403(b) account.
- Find your district's approved list of 403(b) vendors.
- Compare 403(b) plans side by side, including fees, performance and features.
- Get information about how to enroll and start easy paycheck contributions.

 Check out **403bCompare.com** today.



► CalSTRS Retired Members Who Are Over 100 Years Old as of May 4, 2016

325

CalSTRS
retired members
over 100 years old


110
age of oldest
retired member


45
males


280
females


21.8
average amount of
service credit


7,099
total amount of
service credit



San Diego Member Service Center
Photo by Andrew Ferko, CalSTRS

► Member Service Center Now Open in San Diego

Our sixth member service center in the state is now open in San Diego's Mission Valley region—a large member population area that offers immediate access to multiple freeway interchanges.

Services at the center include:

- Ample parking for CalSTRS members.
- Benefits planning sessions by appointment.
- Financial and retirement workshops designed to meet your needs at different career stages.
- Drop off and review of all CalSTRS forms.
- Convenient hours of operation: Monday through Friday, 8 a.m. to 5 p.m. (except for state and federal holidays).
- General walk-in assistance.
- CalSTRS publications and forms.

The San Diego Member Service Center is located at 9095 Rio San Diego Drive, Suite 350.
Call **800-228-5453** (select option 3) for appointments.

**Need Help?
Here Are the Best
Ways to Contact Us**

21,000
The average number
of calls we get
every month!

Phone Call



Business hours
Monday–Friday 7 a.m.–6 p.m.

Best times to call
Wednesday, Thursday, Friday
7 a.m.–10 a.m. or 4 p.m.–6 p.m.

Our busiest days
Monday and Tuesday

or

my**CALSTRS**



24/7 safe and secure messaging
online, anytime using your
myCalSTRS account.

Activate your account today at
myCalSTRS.com.



myCALSTRS

Access Your CalSTRS Information Online, Any Time

myCalSTRS offers easy, secure and convenient access to your accounts and CalSTRS forms. Register at **myCalSTRS.com**. Once you complete the one-time process, your myCalSTRS account will be active.

With myCalSTRS, you can:

- 1 Update your contact information.
- 2 Access your annual *Retirement Progress Report* and view information reported by your employer.
- 3 View your account balances.
- 4 Name and update your one-time death benefit recipient.
- 5 Submit and receive secure messages to and from CalSTRS representatives.
- 6 Complete and submit forms.



Need help registering?
View the self-paced, interactive online registration guide on myCalSTRS.

► **Keep Your Future on Track:** Attend a Financial Awareness Workshop

Learn how your CalSTRS benefit fits into the big picture of securing your financial future through our new Financial Awareness Series workshops. These two-hour workshops, with dates and locations across the state, offer an in-depth look at financial planning, including easy ways you can save money. Consider taking one or both of the following workshops:

Save for Your Future: Discover different ways to create and evaluate a budget, explore your choices for saving and investing, understand your credit score and your credit report—and ways to improve it—and learn the right questions to ask before investing so you can save smart for a secure future.

Plan for Your Future: Gain a better perspective for what your financial future may hold by exploring various post-work income sources and expenses, and learn how to prepare for potential obstacles.

- Register now at
CalSTRS.com/financial-awareness.

► **Divorced? Remarried? Other Big Life Changes?**

Update your one-time death benefit recipient information online with myCalSTRS

Be sure to check your one-time death benefit recipient information periodically to ensure everything is up to date, especially if you've gone through a divorce, remarried or your family has grown.

Log on to your myCalSTRS account for secure and convenient access to your CalSTRS information, then select *Manage Your Beneficiary Selections* to review or make updates.

► CalSTRS Releases Fiscal Year 2015–16 Investment Return

CalSTRS ended the 2015–16 fiscal year on June 30, 2016, with a 1.4 percent net return. The plan for full funding remains on track with a three-year net return of 7.8 percent and a five-year net return of 7.7 percent.

Volatility in the equity markets and the recent U.K. referendum to exit the European Union—also known as Brexit—left the Teachers’ Retirement Fund at \$188.7 billion, about where it started the fiscal year in July 2015. We continue to emphasize the long-term nature of pension funding as it pertains to investment

performance and the need to look beyond the immediate impacts of any single year’s returns.

“Single-year performance and short-term shocks, such as Brexit, may catch headlines but the CalSTRS portfolio is designed for the long haul. We look at performance in terms of decades, not years,” said CalSTRS Chief Investment Officer Christopher J. Ailman. “The decade of the 2010s has so far been a good performer, averaging 10.3 percent net.”

► Creditable Compensation Regulations Update

In 2013, in collaboration with stakeholders, CalSTRS staff began a year-long effort to better define specific laws related to proper reporting of compensation. The resulting regulations became effective January 1, 2015. We’ve since identified opportunities to refine the regulations further.

The Teachers’ Retirement Board heard the proposed amendments to the regulations at its September 2016 meeting and directed staff to publish notice of the regulations and hold a public comment period. The public comment period ran through November 14 and the board held a hearing on November 17.

CalSTRS Creditable Compensation Regulations provide guidance on:

- What constitutes a class of employees.
- What is creditable to the Defined Benefit and Defined Benefit Supplement programs.

- What is not creditable to CalSTRS.
- What constitutes consistent treatment of compensation.
- How we determine the appropriate crediting of contributions to the Defined Benefit and Defined Benefit Supplement programs if compensation is found to be inconsistent.

Visit CalSTRS.com/regulations for future updates and information on these and other regulations. You can subscribe to receive notice of CalSTRS regulatory activity by sending your contact information to Regulations@CalSTRS.com.



► Ombudsman Office—We're Here for You

The CalSTRS Ombudsman Office serves as your advocate as well as an advocate for your beneficiaries.

Ombudsman duties include reviewing and making recommendations to the CEO regarding complaints by school employees, members and participants, employee organizations, the Legislature or the public regarding actions of CalSTRS employees. Working with you and CalSTRS employees, the Ombudsman is an essential part of our mission to sustain the trust of California's educators.

CalSTRS' commitment to member communication and internal process improvements has led to a reduction in Ombudsman Office contacts in recent years. However, there can always be bumps along the retirement road that need attention. Here's one recent case:

A member contacted the Ombudsman Office after being told by a CalSTRS representative long ago that he would never qualify for a retirement benefit. He asked CalSTRS about the process and cost to purchase service credit for service performed years ago both in California and

another state. Research revealed some inconsistencies in employer reporting going back to the 1970s. The Ombudsman requested assistance from CalSTRS employees who work regularly with employer reporting and was able to provide the member with a series of questions to ask his employer.

The member's patience and the persistence of the Ombudsman Office in frequently monitoring the unique challenges of this case resulted in the member acquiring the necessary years of service credit to begin receiving a modest retirement benefit.

In a recent correspondence to us, the member said, "We were upset at the previous bad information we received from CalSTRS, but [you] stayed on top of everything and now we have a pension."

Certainly, not all interactions with the Ombudsman result in such good fortune. However, if you've made attempts to resolve an issue yourself through the Contact Center and still don't feel the issue has been resolved, submit an online Ombudsman form at [CalSTRS.com/contact](https://www.calstrs.com/contact).



Explore and Learn: CalSTRS Member Benefit Videos

Watch these short member education videos at [CalSTRS.com/videos](https://www.calstrs.com/videos) for a quick way to learn more about your benefits.

The Gap: The median CalSTRS retirement benefit replaces about 50 to 60 percent of a member's salary. You'll need to close any gap between your retirement goal and your retirement benefit with savings and investments.

Understanding the Formula: CalSTRS has two benefit structures that determine how your benefit is calculated based on your initial hire to perform service that could be credited to the Defined Benefit Program. Know how your retirement benefit is calculated.

 [CalSTRS.com/videos](https://www.calstrs.com/videos)

► CalSTRS Commits to Sustainable Investing Future with Low-Carbon Index and Enhanced Corporate Governance Principles

By Jack Ehnes, CalSTRS CEO



The Teachers' Retirement Board took a significant step toward a sustainable investment portfolio with its decision in July to commit up to \$2.5 billion to low-carbon strategies.

The passive equity portfolio will be invested to match an existing index (listed as the MSCI ACWI Low-Carbon Target Index),

which is designed to have significantly lower exposure to carbon emissions than the broader market and nearly complete elimination of exposure to fossil fuel reserves. Implementation will begin with U.S. equities (stocks) followed by developed markets, and finally, emerging markets.

Committing to a low-carbon index is part of a multifaceted approach to align the portfolio with market realities emerging from climate change. The board's recent action also results in part from the December 2015 COP21 Paris climate talks and the UN Climate Summit in September 2014, both of which CalSTRS participated in and fully supported.

The commitment to the low-carbon index is in addition to the approximately \$1.9 billion in existing low- and no-carbon investments across the CalSTRS portfolio. Details on these investments and how CalSTRS approaches climate change risk management can be found in the 2015 Green Initiative Task Force Report located online at CalSTRS.com/calstrs-reports-surveys. The 2016 Green Initiative Task Force Report was released at November's board meeting.

Additionally, the board approved policy changes to the CalSTRS Corporate Governance Principles, which establish the high-level framework for proxy voting activities and shareholder priorities. The recent changes focus primarily on climate change risk management expertise, board diversity, governance structure and composition of public company boards. The policy change also holds corporate directors accountable to represent and protect the interests of long-term shareholders.

Together these actions strengthen the portfolio and signal to the global investment community that we take our commitment to sustainability seriously as we continue to fulfill our mission to secure the retirement future for generations of California's educators.



Did You Know: The principal environmental issue CalSTRS Investments staff considered in 2014–15 was CalSTRS' exposure to fossil fuel companies and if, or to what degree, the activities of these companies presented a material risk to the CalSTRS Investment Portfolio. As of June 30, 2015, CalSTRS:

- Engaged 56 companies held in our Global Equity Portfolio, valued at approximately \$4.6 billion, in collaboration with the UN's Principles for Responsible Investment. This engagement focused on risks associated with hydraulic fracturing.
- Increased our exposure to green bonds tenfold in the past two years. Holdings grew from \$25 million in 2013 to \$264 million in 2015.

➤ View the full *CalSTRS 2014–15 Sustainability Report: Fostering a Secure Future* at CalSTRS.com/2014-15-sustainability-report.



► Bike Shop Teacher Gives Students Lesson in Community



CalSTRS member Steve Davis is a bicycle shop teacher at Seven Hills Middle School in Nevada City. Through the school's Bicycle Recycle Project, more than 1,500 students have been trained in building more than 2,000 bikes. Every year, his students conduct a free raffle of reconditioned bikes during Bicycle Day at Loaves and Fishes, a charitable organization dedicated to feeding the hungry and sheltering the homeless in Sacramento.

"This is my passion," said Davis. "I love working with kids and I love working on bikes, and I'm just as fortunate as I can be to do what I'm doing."

You'll find the video at CalSTRS.com/california-educators as part of our "California Educators" series celebrating our dedicated members.

- Do you know a California educator with a compelling or poignant story? Please send us an email at Communications@CalSTRS.com with "California Educators" in the subject line.

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Teacher Talk: Spotlight on California's Educators

Variety is the key: Davis, who has been teaching since 1997, also enjoys social studies and history, and "getting the kids to view the world through different lenses than they're used to looking through."

"I like the variety that being an elementary school teacher gives me and that I get to teach all the different subjects, and not be pigeonholed to one subject," he added.

Keep innovating: "If I can get them excited about science and robots, that child might become an engineer that designs a new sort of mechanical heart or some sort of medical technology that improves the world. That would be a measure of success for me."

Retirement is still a long way off, and admittedly Davis hasn't given it much thought yet. But when he does retire, he would like to go back to school for the sake of learning—to take robotics or programming. Or maybe he'd put in a few more hours at the karate studio.

"I'm a beginning martial artist," said Davis, who took karate lessons as a kid. When his young son began karate lessons, it sparked Davis' interest again. "I'm loving it and having a great time."

- To be considered for a future profile, please email Communications@CalSTRS.com, with **Teacher Talk** in the subject line.

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Board Approves Enhanced Corporate Governance Principles

CalSTRS continues to stress the importance of a one-share, one-vote philosophy—known as shareholder democracy. A recent trend with a number of companies entering the public markets is unequal voting rights. Even well-established companies have issued new classes of stock that perpetuate these unfair voting structures. Through our principles, CalSTRS wants to make our position clear—voting rights should be aligned with economic interests.

As Anne Sheehan, director of Corporate Governance Investments, said, "Our Corporate Governance Principles are dynamic, living documents that are responsive to the marketplace. We are constantly reevaluating our principles and policies to bring them in line with the market and to keep them relevant to the issues that are of utmost importance to shareholders, which reinforces our mission to support the financial security of California's educators."

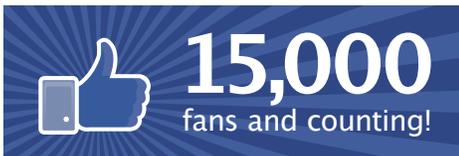
- Review the **CalSTRS Corporate Governance Principles** at CalSTRS.com/principles.

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
CalSTRS office at
CalSTRS.com/localoffices
- FAX** 916-414-5040

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