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CALSTRS Connections

YOUR MONEY MATTERS

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS



CalSTRS Benefit Payments Boost California's Economy by \$11 Billion Annually

See page 6

A new economic impact study finds that CalSTRS retirement benefit payments are a substantial economic driver in California, generating \$11 billion in economic activity, supporting more than 92,800 jobs and creating about \$1.2 billion in tax payments to state and local governments through income, sales and corporate profit taxes.

The study was commissioned by CalSTRS and prepared by the Business Forecasting Center of the University of the Pacific Eberhardt School of Business. It measures the impact the CalSTRS benefit payments have on California's labor income, employment, economic output and tax revenue generation. Its findings are based on \$9.2 billion in ongoing monthly and quarterly benefit payments CalSTRS issued during the 2011–12 fiscal year.

The total economic impact of CalSTRS retirement benefits is equivalent to California's wine growing and production industry.

The study points out that most of the benefit dollars are spent in the communities where retired educators live, offering a direct boost to local supermarkets, restaurants, department stores, automotive services and real estate.

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The total economic impact of CalSTRS retirement benefits is equivalent to California's wine growing and production industry.

CALSTRS
pension²

Your CalSTRS defined benefit pension will replace, on average, about 60 percent of your current salary. Will you need more? Check out Pension2, CalSTRS' voluntary defined contribution plan, which offers 403(b), 457 and Roth 403(b) plans.

Invest sooner than later. That's the top recommendation from a poll of California educators aged 40 to 49 when asked what retirement advice they would give their younger colleagues.

CalSTRS Celebrates 100 Years

By Dana Dillon, Teachers' Retirement Board Chair

2013 marks a significant year for CalSTRS as we celebrate 100 years of service to California's educators and their families. CalSTRS began in 1913 with 16,000 active and retired members, and has grown to 862,000 members, with a portfolio value of more than \$165 billion.

One hundred years of delivering on our promise of a secure retirement for California's educators and their families is an accomplishment to be proud of, and we are excited to commemorate this special occasion.

Your dedication reaches beyond the classroom to positively enrich the lives of your students and help them build their futures. The fundamental lessons learned set the foundations for life and livelihood. CalSTRS is proud to serve you. We thank you for your personal commitment to your students and your careers.



Our First 100 Years Online

Have you logged on to CalSTRS.com lately? You'll see a fresh look and new features. Be sure to check out the page dedicated to our 100-year anniversary at CalSTRS.com/anniversary. You'll find videos recognizing teachers and chronicling the history of CalSTRS, and galleries of photos and videos submitted by your colleagues across the state.



CalSTRS Mission:

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

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

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

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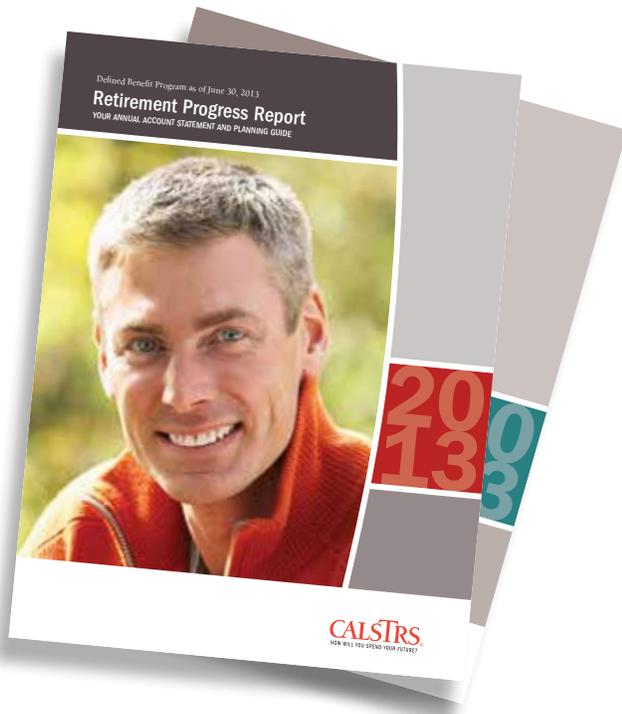
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Good to Hear From You

In the last issue of *Connections*, we put out a call for real teachers to photograph and feature in our member publications. Our thanks to all of you who responded. Teachers are the heart of CalSTRS and we look forward to seeing more of you in our plan materials.

We are now working on logistics and will follow up with an email before the end of the year to everyone we heard from. If you have questions, feel free to email Veronica Espinoza at vespinoza@CalSTRS.com.

► 2012–13 Retirement Progress Report Now Online



Your *Retirement Progress Report* for the 2012–13 fiscal year is now available online. To view or print your report, log on to your *myCalSTRS* account at myCalSTRS.com, select *View Your Retirement Progress Report*, then select the correct year and account type.

Verify Your Information

When you review your report, take a few minutes to verify that the information is accurate. The facts and figures, such as your years of service credit, will ultimately be used to calculate your retirement benefit. If you find a discrepancy or have a question, contact your employer right away.

Starting in 2014, the report is going paperless. As part of our ongoing efforts to conserve natural resources and reduce costs, your report will be available exclusively online on *myCalSTRS*, unless you request to continue receiving it by mail. Watch for updates on CalSTRS.com.

Register Today

Don't have a *myCalSTRS* account yet? View the self-paced, interactive registration guide at CalSTRS.com. Registration is easy and provides immediate and secure access.

► CalSTRS Reports Healthy Investment Returns in 2012–13

Steady growth in the global equity market fueled a 13.8 percent investment return at CalSTRS to close the 2012–13 fiscal year. The CalSTRS Investment Portfolio's market value as of June 30 was \$165.8 billion.

The investment returns were well above the actuarial assumed rate of 7.5 percent. On a long-term, portfolio-wide basis, CalSTRS returns for 2012–13 were:

12.6%	3.7%	7.5%	7.5%
over three years	over five years	over 10 years	over 20 years



▶ Extra Credit Teacher Program Makes Buying a Home Easier

The Extra Credit Teacher Program, available through the California Housing Finance Agency, is a special home purchase program offered to qualified educators and staff seeking to purchase their first home in California.

This program rewards teachers and staff who serve in California's high priority schools by providing a deferred down payment assistance loan and a 30-year fixed rate FHA mortgage loan. High priority schools are defined as public or charter schools with an API ranking of 1–5.

The down payment assistance is in the form of a second, or junior, loan. Payment is not required until the home is sold or refinanced, or the first mortgage loan is paid in full. If the homeowner stays in the high priority school and in the home for at least three years, the interest on the second mortgage is forgiven.

The amount of down payment assistance available through the Extra Credit Teacher Program is determined by the sales price of the home and where it's located:

- In high-cost areas, the assistance is the greater of \$15,000 or 3 percent of the sales price. For a list of high-cost areas, visit calhfa.ca.gov/homeownership/forms/highcost.htm.
- In areas that are not high cost, the assistance is the greater of \$7,500 or 3 percent of the sales price.

The 30-year fixed rate mortgage loan offered through the Extra Credit Teacher Program is an FHA-insured mortgage with a fixed interest rate that will never change during the entire term of the loan.

Eligibility

In addition to working in a high priority school, eligibility requirements include:

- Be a first-time homebuyer—defined as anyone who has not owned and occupied his and her own home in the last three years.
- Meet CalHFA income and sales price limits.
- Occupy the home as a primary residence.
- Complete CalHFA homebuyer education course.

For more information about the Extra Credit Teacher Program, visit calhfa.ca.gov or call 877-922-5432.



CalSTRS Home Loan Program Suspended

CalSTRS has decided to suspend new mortgage originations through its Home Loan Program because current market conditions do not favor more competitive products beyond what is already available to our members on the open market.

CalSTRS remains committed to the Home Loan Program; however, current conditions make its re-launch impractical. CalSTRS strives to offer our members unique financial products while maintaining the Home Loan Program as a viable investment vehicle for the fund.

We understand our members desire competitive products and value the security that comes with the CalSTRS name. That is why we will continue to monitor the market for opportunities to re-launch the CalSTRS Home Loan Program at a later date.

▶ CalSTRS Opens Santa Clara Member Service Center

Do you live in the Bay Area, need help with your CalSTRS benefits and prefer to speak to someone in person? The Santa Clara Member Service Center opened recently and offers the same services as our centers in Glendale and West Sacramento.

CalSTRS member service centers offer:

- General walk-in assistance.
- Member education sessions by appointment.
- Educational workshops on CalSTRS member benefits.
- Acceptance and review of all CalSTRS retirement-related forms.
- A full array of CalSTRS publications, forms and applications.
- Convenient locations with easy access.
- Parking for CalSTRS members.

Member Service Center Locations

Convenient and consistent hours of operation, year-round:

West Sacramento	Glendale	Santa Clara
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

- Monday through Friday, 8 a.m. to 5 p.m.
- Phone: 800-228-5453.
- Web: CalSTRS.com/contactus.

Changes Coming to Some Local Counseling Offices

If you're seeking counseling services in the Shasta, Tulare or Ventura areas, call 800-228-5453 to schedule an appointment or group session. Stay informed at CalSTRS.com/local-counseling-offices.

▶ CalSTRS Pension2



How Do You Picture Your Future?

Your CalSTRS retirement benefit will replace, on average, about 60 percent of your current salary. You'll need to close any gap between your income and your pension with savings and investments. CalSTRS Pension2 offers 403(b), 457 and Roth 403(b) plans for additional retirement savings.

“What If” and “Why Wait” Calculators

Not sure how much you need to save for retirement? Check out the calculators we recently added to Pension2.com (select “Develop a Personal Wealth Plan”). Plug in your monthly contribution amount and current age, and the calculators will factor in time and compound interest. See what contributing just \$50 a month more over 10 or 20 years could do to your account balance.

Pension2 Webinar

While at Pension2.com, take 20 minutes to watch the Pension2 403(b) webinar. The webinar covers the Pension2 basics and addresses common questions. Open registration for upcoming live webinars are also available.

You'll also find a link to the CalSTRS educational video, The Gap.

Pension2.com

Learn more about Pension2 plans and low fees.

yourplan.CalSTRS.com.

Find complete information about the plans offered by your employer.

403bCompare.com

Compare fees charged by different mutual funds and insurance products.

Consider investing the 6.2 percent of your salary that would have gone to Social Security into a tax-advantaged 403(b) or 457 supplemental savings account, such as CalSTRS Pension2.



Changes to Permissive Service Credit Purchases

The Teachers' Retirement Board recently voted to change how the cost of purchasing permissive service credit is calculated. Beginning January 1, 2014, the tiered contribution rates based on age groups for purchasing permissive service credit will change from 10-year increments to one-year increments. For example, if you are 26 years old, you will be given a cost based on your actual age rather than as a person in your twenties.

Your cost to purchase permissive service credit may increase or decrease slightly after January 1, depending on your age and the date of receipt of your service credit purchase request. For more information, check for updates on CalSTRS.com.

Do You have a 403(b) or 457 Account?

One of the smartest ways to save for retirement is investing in a 403(b), 457 or IRA tax-advantaged account. Already saving? Consider increasing your monthly contribution.

CalSTRS Pension2 403(b), 457 and Roth 403(b) plans feature low fees and expenses, so you keep more of your money for retirement.

Tax Advantages

When you contribute to your 403(b) or 457 account directly out of your paycheck, you defer taxes on the money you set aside each month for retirement. You get more savings for your contribution dollars, your earnings grow tax-deferred, and your monthly taxable income is lower.

If you contribute to your Roth 403(b) account through paycheck deductions, you won't get a tax break up front, but your contributions and earnings will be tax-free at retirement.

Save More With Lower Fees

Most investment plans charge fees and expenses. Keep a close eye on these costs—even 1 percent can make a big difference in your bottom line over time.

Make more of your money count. Compare fees charged by different mutual funds and insurance products at 403bCompare.com.



▶ What Is Service Credit and How Do You Earn It?

Service credit is a calculation of your earnings divided by the compensation earnable for your position. Your earnings are what you actually get paid for performing creditable service for each assignment, and the compensation earnable is what you could earn in your position if you worked full time.

Most of what you earn generates service credit. Some earnings, such as a master's degree stipend, do not earn service credit because they do not require any additional service to be performed—but they can increase your compensation earnable.

Service credit is calculated based on each assignment you have. You can't earn more than one year of service credit in a school year. Contributions paid on compensation for service in excess of one year will be credited to your Defined Benefit Supplement account.

Each employer determines the compensation earnable, along with the number of hours or days required for full-time employment. If you don't know the compensation earnable for your assignment, contact your employer.

Log in to your *myCalSTRS* account to view your annual *Retirement Progress Report*, which shows the amount of service credit you have accrued and earned for the previous year. On *myCalSTRS* you can also view the compensation earnable your employer has reported for each of your assignments.

earnings ÷ earnable

Service credit is earned on a monthly basis and is the ratio of earnings to full-time compensation earnable.

▶ Keep Your Address Current

Be sure CalSTRS has your current mailing and email addresses, so you don't miss out on important communications from us.

Moved or planning to move soon?

Two ways to update your contact information



myCalSTRS makes it easy. From the home page, select *Update Your Profile*, then follow the instructions. Not yet registered for *myCalSTRS*?

➤ myCalSTRS.com



Complete the *Address Change Request* form, sign and mail it to us.

➤ CalSTRS.com/forms





Stay Connected with CalSTRS on Social Media

Get to know us on social media. It's a great way to keep up on the latest news from us, share ideas and connect with other educators across the state.

Check us out on Facebook, Twitter, Google+, YouTube, LinkedIn and Pinterest. Invite your colleagues to join us too.

Start at CalSTRS.com/stay-connected or



Like our page and join the conversation.
facebook.com/CalSTRS



Follow the official Twitter feed of CalSTRS.
#CorpGov #ESG #Pension #Teacher #JackEhnes
<https://twitter.com/CalSTRS>



Connect and share with us.
CalSTRS.com/stay-connected



Follow CalSTRS for corporate news.
linkedin.com/company/CalSTRS



Watch the myCalSTRS channel.
youtube.com/user/myCalSTRS



Find your pinspiration.
pinterest.com/CalSTRS

Invite your colleagues
to join us too.



Online Education Videos

Did you know CalSTRS offers a wide selection of online education videos? The three-minute videos give you the opportunity to learn about your CalSTRS benefits at your own pace.

Topics include:

- Introduction to CalSTRS
- Understanding the Formula
- *myCalSTRS*
- The Gap
- Beneficiary Options
- Refund—Consider the Consequences
- Defined Benefit Supplement Program
- Introduction to Social Security

View the videos any time at CalSTRS.com/videos. We're always expanding our video library, so check back often.



Short-Term Returns Not Enough to Cure Underfunding

By Jack Ehnes, CalSTRS CEO



In the last three years, the CalSTRS Investment Portfolio has experienced significant market volatility. In the 2010–11 fiscal year, the Teachers' Retirement Fund catapulted to a 23.1 percent investment return. The following year, investment returns plummeted to 1.8 percent and then rebounded up to 13.8 percent this year. It's good news that we've significantly exceeded our 7.5 percent investment assumption over three years, but that still doesn't change current projections of depleting our assets in roughly 30 years.

Great returns that weather the turbulence of the market validate a team of professionals who are dedicated to their fiduciary responsibility. However, investment returns, whether weak or strong, lack the isolated muscle to recover from a decade of meager market conditions. Our estimates show that without contribution increases, CalSTRS would need to achieve 10 percent returns annually for the next 30 years to pay down our unfunded liability.

The CalSTRS Defined Benefit Program is sustainable when funding is secured through sufficient state, employer and employee contributions, investment earnings are realized, and contributions can be adjusted appropriately. That last part is very important.

Historically, contributions to CalSTRS set in state law have not been adjusted to address funding deficiencies, which has, in part, led to the current \$70 billion funding shortfall. Employee contribution rates have not been adjusted since 1972, employer rates have not changed since 1990, and the state's rates are less than they were in 1997. Because the Teachers' Retirement Board does not have the authority to adjust contributions, CalSTRS must rely on the Legislature and Governor to take action.

We are confident the long-term health of the fund can be restored with the appropriate action. Without it, the costs and risks to the state General Fund exponentially multiply. We estimate that for every day that goes by without a plan to close the funding gap, the costs soar by \$22 million.

Since 2006 CalSTRS has been calling for a review of contribution rates. We have been working with state policy makers and our stakeholders to develop a funding plan. The solution is a gradual and predictable increase in contribution rates.



In response to Senate Concurrent Resolution 105, we submitted a report titled *Sustaining Retirement Security for Future Generations: Funding the California State Teachers' Retirement System*, which identifies several funding options, including one that is strongly recommended by the Legislative Analyst's Office. To read the report, visit CalSTRS.com/funding or scan the QR code.



▶ Federal Rules Might Reduce Your Social Security Benefits

California educators in CalSTRS-covered positions do not contribute to Social Security, therefore, you do not receive Social Security benefits for your CalSTRS-covered employment.

If you expect to receive a Social Security check either through your spouse or your own employment not covered by CalSTRS, two federal rules—the Windfall Elimination Provision and the Government Pension Offset—could leave you with a smaller check or no check at all. These rules have no effect on your CalSTRS pension.

Read *Social Security, CalSTRS and You* at CalSTRS.com/publications to learn more.

Windfall Elimination Provision

- Affects your Social Security benefits that are based on your earnings.
- May reduce your Social Security benefits, but it will not eliminate them.

Government Pension Offset

- Affects your spousal, widow or widower Social Security benefits that are based on your spouse's earnings.
- May reduce or eliminate your spousal, widow or widower Social Security benefits.

continued from page 1

CalSTRS Benefit Payments Boost California's Economy

California's rural regions benefit the most relative to the total regional economy.

In addition, the study notes that for each dollar the state contributes to CalSTRS, the state government receives 50 cents in return via taxes.

You'll find the full report at CalSTRS.com/economic-impact-study.



CaISTRs 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 | 

CalSTRS Launches Mobile-Optimized Website

Always on the Go?

CalSTRS Mobile delivers CalSTRS.com Web content in an easy-to-use format specifically designed for mobile devices. When accessing us from your smartphone, you'll be automatically directed to CalSTRS Mobile, with Web content that's been optimized for enhanced functionality and use.



Scan the code below to check out CalSTRS Mobile now, or simply visit CalSTRS.com with your smartphone wherever you are.

