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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.



Megan Gross
Special education teacher

Del Norte High School
San Diego

Named one of five 2016 California Teachers of the Year, Megan Gross was also recently a finalist for the 2017 National Teacher of the Year Award run by the Council of Chief State Officers. This dedicated special education teacher has spent her entire career advocating for students with disabilities.

Why did you become a teacher?

"After graduating from UC Davis, I supported adults with developmental disabilities who lived in a group home. One individual had Down syndrome and Alzheimer's disease. He would sit at the kitchen table and tell me about his elementary school and how one of his teachers had taught him how to sign his name in cursive. I was so impressed that he still remembered his teacher and that she had clearly impacted his life. I wanted to be someone like that for other people with disabilities."

Retirement Planning
Readiness Survey
Coming Soon

See page 4

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Summary Report
to Members

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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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▶ 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.

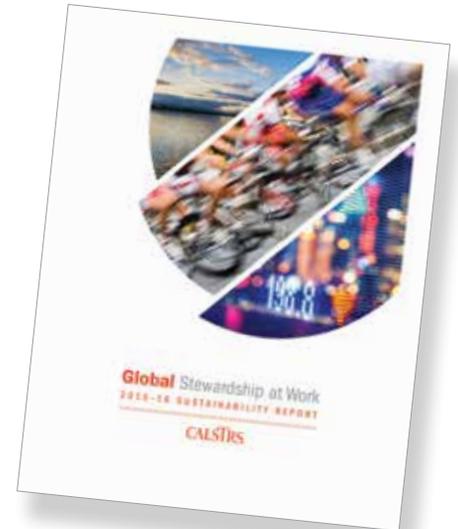
Cybersecurity: CalSTRS places high priority on cybersecurity and has strict policies and procedures in place to protect member data. Read about the actions our Information Security Office takes to protect sensitive member information.

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.



► 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 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. If you are 45 years of age 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. If you requested a copy of your report to be mailed to you, it will arrive in your mailbox in October.



► First-Time Homebuyer? You May Qualify for Down Payment Assistance Program

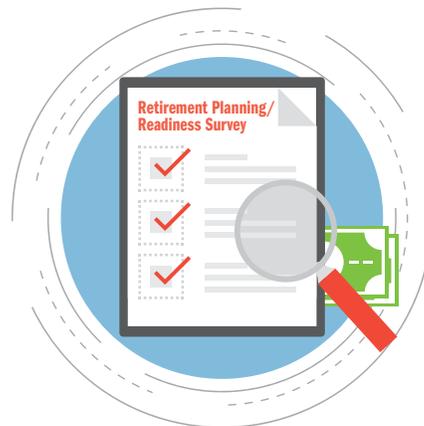


If you're a first-time homebuyer working for a California K-12 public school district, including charter and continuation schools, you may qualify for down payment assistance through the California Housing Finance Agency's Extra Credit Teacher Home Purchase Program. Loans range from \$7,500 to \$15,000 and can only be combined with an eligible CalHFA first mortgage loan.

► Go to calhfa.ca.gov to learn more.

► Your Input Matters: Retirement Planning/ Readiness Survey

This May, we are emailing surveys to a random sample of members across all career stages to help improve our understanding of how you are planning for retirement. As early-to-mid-career educators, you represent a valued group of members we would like to hear from in our efforts to provide relevant information. Your input helps us develop resources and tools that you can use when planning for your future, especially early in your career. CalSTRS conducts this survey every two years. Should you be randomly chosen to respond, know that your participation is important to us. We look forward to your feedback.



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)

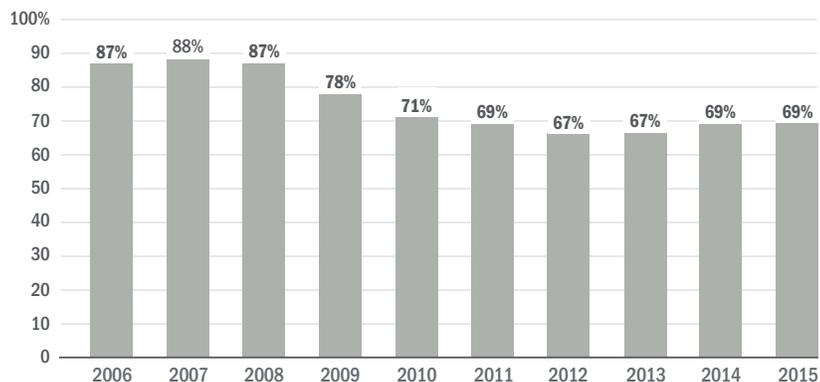
	2016	2015 ¹
Net Assets Held in Trust, Beginning of Year	\$191,822,336	\$190,312,109
Additions		
Contributions (member, employer, State of California, federal government)	8,288,519	6,613,323
Investment Income	2,621,852	7,876,259
Investment Expense	(316,894)	(300,260)
Other Income	41,519	39,580
Total Additions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

¹ 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
Total	626,259	613,856
Service Retirement Benefits	252,672	247,353
Disability Benefits	9,940	9,848
Survivor Benefits	25,583	24,899
Total	288,195	282,100
Total Members and Beneficiaries	914,454	895,956

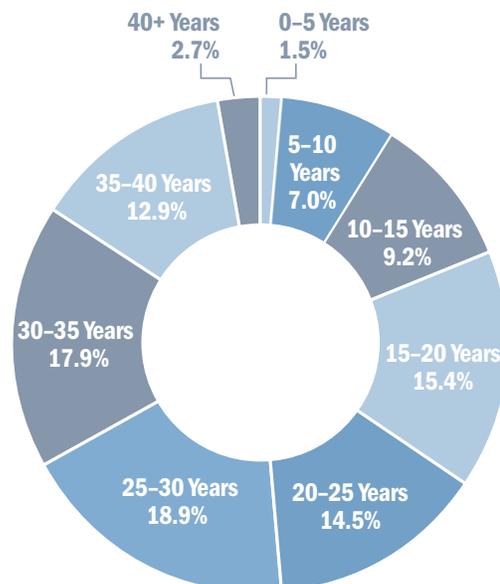
Average Active Member Age and Years of Service

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



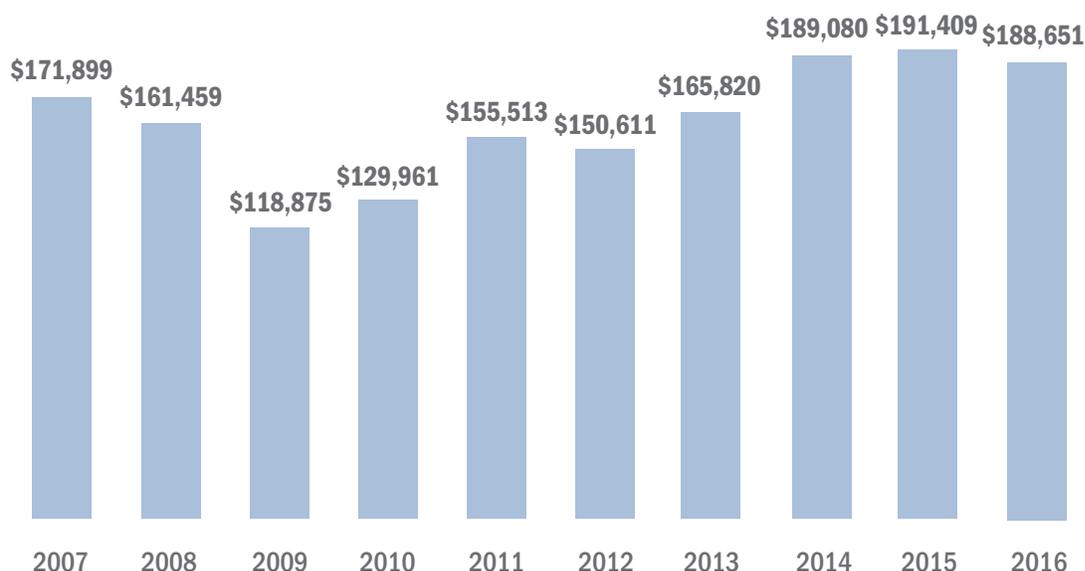
Securing Your Financial Future

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

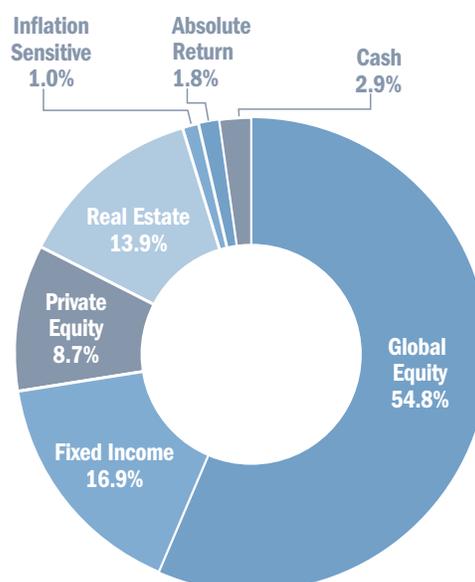
	Market Value	Rate of Return ¹
Defined Benefit Program (in billions)	\$177.33	1.6%
Defined Benefit Supplement Program (in billions)	\$11.04	1.6%
Cash Balance Benefit Program (in millions)	\$282.44	(0.4%)

¹ 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

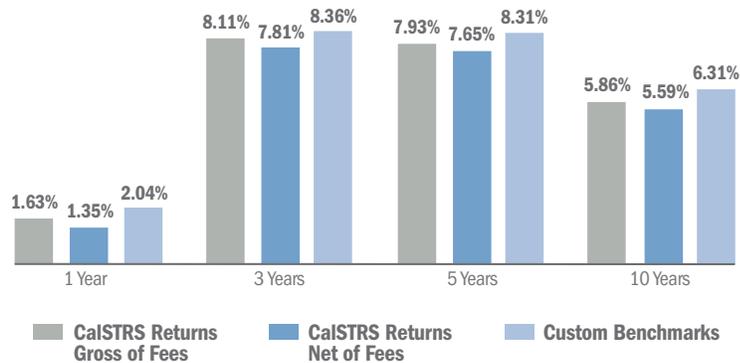


Securing Your Financial Future continued

Time-Weighted Portfolio Returns and Benchmarks

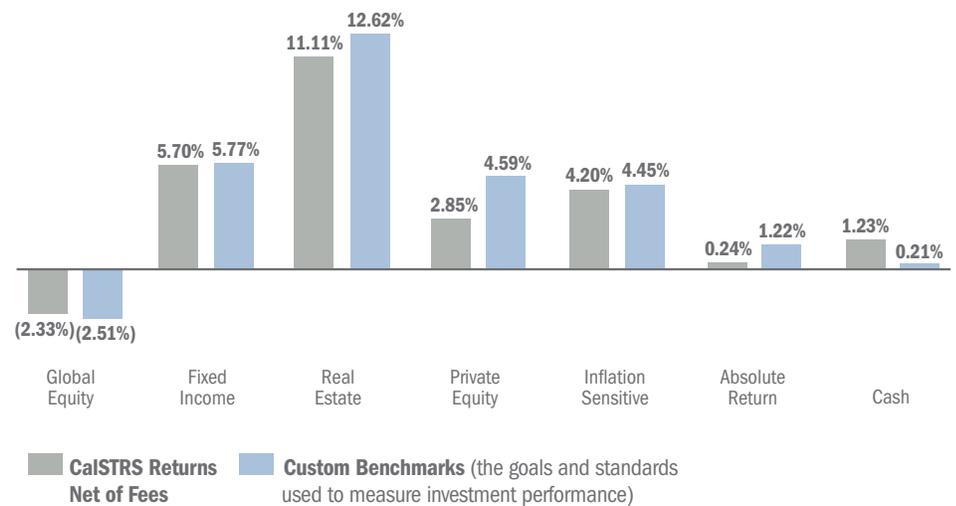
As of June 30, 2016

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

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 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 is your secure online resource for managing your personal information and CalSTRS accounts. Once you complete the easy 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.
- Name your one-time death benefit recipient.
- Submit and receive secure messages to and from CalSTRS representatives.
- Download forms and publications.
- Complete and submit forms.
- Link to your CalSTRS Pension2 account, if you have one.

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



Forgot your myCalSTRS password or username?

Go to **myCalSTRS.com** and select the *Forgot Your Username or Password?* link located below the *Register Now* button. You can also 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

Did you have a favorite teacher?

"I've been so lucky to have been taught by many incredible teachers who encouraged me, inspired me to think critically and creatively, and shared their love of education. I had incredible science teachers at Live Oak High School, especially Mr. Hemeon. He was enthusiastic, kind, clever and an incredibly talented artist. He would create these chalkboard diagrams to explain human body systems in anatomy class or DNA in biology, and it fueled my love for science, which is why I have a bachelor's degree in genetics."

What are you most proud of as a teacher?

"I'm really proud of the opportunities my students have had to be included and learn academic content in general education classes. Because of these opportunities,

my students have learned concepts that I never could have taught them. They've made connections with other teachers who now advocate for them. They've increased their communication skills and their peers see them as peers."

How do you feel about being a teacher of the year?

"I'm so grateful for this opportunity and incredibly honored," Gross said. "This experience has provided me an opportunity to talk with people from across our state and country about inclusive education and share ideas for establishing more opportunities for students at their schools, too. I love this!"

- 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

By Jack Ehnes, CalSTRS CEO



Looking to invest in a 403(b) account? Do you want to know if your current 403(b) plan is the right one for you? 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 your employer 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.

A 403(b) supplemental retirement savings plan is one of the smartest ways to set aside additional money for your secure future. If you're looking to start a 403(b) account or roll over funds, visit **403bCompare.com** today to explore your options and easily compare between hundreds of plans.

► **Saving for Your Future: Learn the Advantages of CalSTRS Pension2 403(b) and 457(b) Plans**

The CalSTRS retirement benefit generally replaces about 50 to 60 percent of a member's salary—so you're already off to a great start! Next, you'll need personal savings and investments to close any gap between your retirement income goal and your benefit. Pension2®, the CalSTRS voluntary supplemental savings plan, offers low-cost, flexible 403(b), 457(b), Roth 403(b) and Roth 457(b) plans that complement your pension benefit.

Pension2 offers:

- Simple, low-cost and transparent fees—there are no commissions, no load fees and no surrender charges.
- Flexible investment options that match all levels of investment ability.
- Personal assistance from experienced local representatives who can help you with retirement planning at no charge.
- A website with investment education and retirement income planning tools.
- Convenient account management through your mobile devices.

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

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

CALSTRS
pension2
personal wealth plan

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.

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 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.

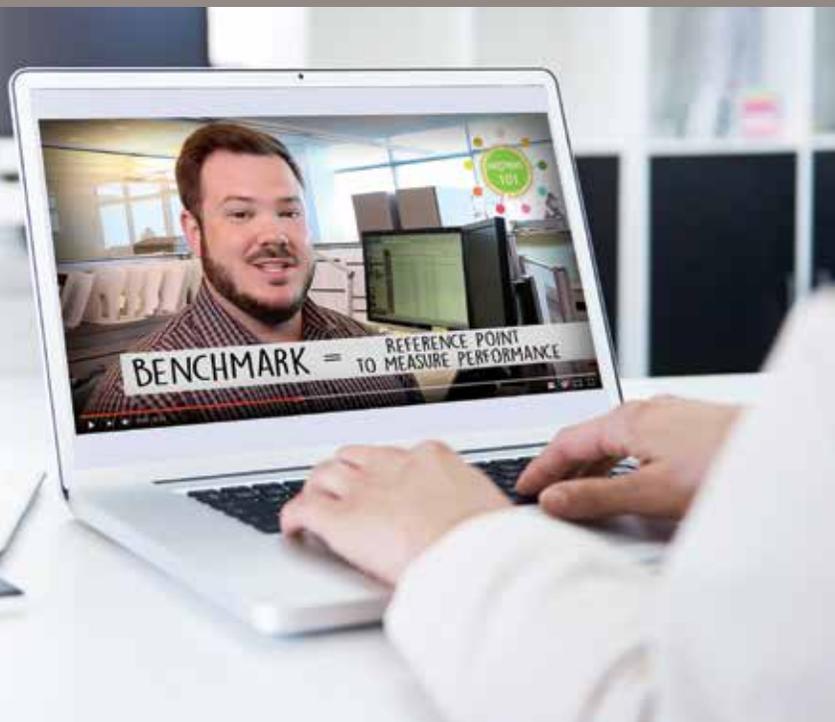
"This is the second time CalSTRS has been honored, which is exceptionally meaningful given we are the only plan sponsor/asset owner to receive this award. This recognition again validates our culture, investment philosophy and especially our outstanding team. We have built a unique workplace within the 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.

▶ Investments 101: Learn the Language of CalSTRS Investments

Cap rate, benchmark, corporate action, CUSIP—what do all of these investments terms mean? Explore our Investments 101 video series featuring CalSTRS Investments staff explaining terms in easy-to-understand and fun-to-watch videos:

 CalSTRS.com/Investments-101.



CalSTRS Resources

- WEB** CalSTRS.com
Click *Contact Us* to email
myCalSTRS.com
403bCompare.com
Pension2.com
- CALL** 800-228-5453
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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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New to Teaching?



Our Facebook page is a great place to connect with other educators. Join the conversation at **Facebook.com/CalSTRS**.

Moved Recently?



Update your contact information online using your *myCalSTRS* account at **myCalSTRS.com** 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.