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CALSTRS Connections

YOUR MONEY MATTERS

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS



A Conversation With Timothy Smith— 2014 California Teacher of the Year

See page 5

Timothy Smith was named 2014 California Teacher of the Year by the California Department of Education. Mr. Smith was one of five California teachers recognized and was also chosen as California's representative for the National Teacher of the Year competition.

Mr. Smith teaches 9th through 12th grade Algebra I and Advanced Placement Statistics at Florin High School in the Elk Grove Unified School District. He has been a CalSTRS member for 13 years.

We asked Mr. Smith about his teaching career.

What made you want to become a teacher?

I have always wanted to be a teacher. I had the opportunity to substitute for my fourth grade teacher, Ms. Balloon, in 1981, and I loved it. After holding various jobs, my wife asked me one day in 1996 if I would like to quit work and go back to college to become a teacher. I quit my job two weeks later, and it has been all about teaching ever since.

What most inspires you to teach each day?

When my students walk into my room each day, the future walks in with them. They are so resilient and inspiring that very few things can bring me down. Some of my students come from very low-income households, and they know that education will not only lift themselves, but their whole family, out of poverty. I owe it to them to give them my very best each day.

What is most important for a teacher to be highly effective?

An effective teacher must be skilled in pedagogy, but I don't believe that is all that is needed.

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"When my students walk into my room each day, the future walks in with them. They are so resilient and inspiring that very few things can bring me down."

Retirement Progress Report Now Paperless

CalSTRS provides you with a *Retirement Progress Report* each fall, which gives an overview of your CalSTRS benefits and account activity for the previous fiscal year.

Starting this fall, CalSTRS will deliver your *Retirement Progress Report* through our secure member website, *myCalSTRS*, unless you request to continue receiving it by mail.

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Also inside:
2013 Summary Report to Members

There's No Such Thing as a Free Lunch

By Dana Dillon, Teachers' Retirement Board Chair

Whenever I talk with teachers in California about saving for retirement, I'm always pleased to hear that many of you have chosen early in your careers to supplement your CalSTRS defined benefit pension with retirement savings through a 403(b) or 457(b) plan. The pretax savings of participating in such plans can significantly add toward your retirement goal.

Unfortunately, I also hear too often regrets from enough of you who, although you made the right decision to invest early, made the wrong investment decisions—either ending up in an inappropriate investment or with a product with excessively high fees.



Is it a Free Meal?

We all get flyers in the mail encouraging us to attend a “free” dinner or lunch that will involve a financial presentation. What we save on a meal can be quickly lost if we don't make prudent decisions on our investments. Making a decision that could ultimately impact your retirement by thousands of dollars should be done with a financial professional you trust and know is working in your best interests.

Fiduciary Responsibility

Much like the Teachers' Retirement Board has a fiduciary responsibility to ensure your CalSTRS retirement fund is secure, a financial advisor who serves in a fiduciary role must put your interests ahead of his or her own. Accordingly, if you're working with a broker or insurance agent who is not a fiduciary, he or she is not legally required to act in your best interests—and that agent may be getting big commissions for your investments that may not be fully disclosed to you.

Bottom line: Supplemental savings for retirement is an important element of a plan to meet your long-term retirement needs, but take the time to do it right. One tool that can help is 403bCompare.com, a website that provides objective, side-by-side comparisons of registered 403(b) plans.

403bCompare.com

Compare fees charged by different mutual funds and insurance products.



**403b
Compare**

The logo features three geometric shapes (a red square, a blue circle, and a green triangle) arranged horizontally above the text. The text '403b' is in a large, bold, sans-serif font, and 'Compare' is in a larger, bold, serif font.

**Your Retirement Product
Information Bank**

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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P.O. Box 15275
Sacramento, CA 95851



printed on recycled paper

▶ Save More With CalSTRS Pension2®

CALSTRS pension 2®

Your CalSTRS retirement benefit will replace, on average, about 55 percent of your current salary. You'll need to close any gap between your income and your pension with savings and investments. One of the smartest ways to save for retirement is investing in a supplemental savings plan. CalSTRS Pension2 offers 403(b), 457(b) and Roth 403(b) plans for additional retirement savings.

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. CalSTRS Pension2 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(b) 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.

Start now, invest regularly and make your money work for you. Already saving? Consider increasing your monthly contribution.

Learn more at Pension2.com.



CalPERS Long-Term Care Program Open to New Applicants

The CalPERS Long-Term Care Program is now open to new applicants. The program offers flexible coverage options to help you preserve assets while maintaining quality of life, including:

- Plan options that allow you to tailor coverage to suit needs and budget.
- Benefits that make it easier to receive care at home.
- Options designed to keep up with the rising costs of receiving long-term care.

You and your spouse, parents, parents-in-law, adult children and adult siblings, between the ages of 18 and 79, are eligible to apply.

For more information, visit CalPERSLongTermCare.com or call 800-908-9119.

► Your CalSTRS Pension May Be Community Property

Whether you're in the early stages of your career or already retired, your spouse may have a legal interest in your CalSTRS benefits. This interest begins the day you are married and ends at the date of separation. If you're involved in a divorce or a legal separation, here are some things you should keep in mind.

Postponing the Issue Could Delay Retirement Payments

Don't put off addressing this important issue until you're ready to retire. A special court order may be needed, which could delay your retirement payments indefinitely.

Death Benefits May Be Affected

Don't leave your loved ones the legacy of an unresolved divorce case. If there's an outstanding community property interest in your benefits at the time of your death, payment to your beneficiaries may be delayed until the issue is addressed in the courts.

Community Property Staff Is Available

CalSTRS Community Property staff is available to assist you by answering general questions, providing retirement estimates, reviewing draft orders for compliance with the California Education Code and setting up court-ordered payments to nonmember spouses. Our staff is not permitted to provide legal advice, or to draft or file court orders.

For more information, see the *Community Property Guide*, available at CalSTRS.com/publications, or call the Community Property Office at 916-414-1725.



► Creditable Compensation Regulations Update

At CalSTRS nearly everything we do is dictated by the Teachers' Retirement Law, which is part of the Education Code. When the law is ambiguous, regulations provide a forum for agencies to clarify the law while providing the public with an opportunity to participate in the process.

The Regulatory Process

To initiate the regulatory process, the California Office of Administrative Law publishes a notice in the California Regulatory Notice Register. CalSTRS mails a copy of the proposed regulations to those who request it and posts the notice and related documents on CalSTRS.com/regulations. During the time leading up to publication of the notice, we engage with, and solicit input from, stakeholder groups and employers.

The public then has 45 days to submit comments in writing on the proposed regulation. The Teachers' Retirement Board may elect to hold a hearing at the end of the 45 days, or anyone can request that a hearing be held if one is not initially offered. Changes to the regulations may result from feedback received during this time, and if those changes go beyond minor cosmetic or grammatical adjustments, an additional comment period is required.

Creditable Compensation Regulations

Since last fall, we have engaged with stakeholders to produce a package of regulations clarifying creditable compensation. Those regulations were noticed on December 20, 2013, and the first comment period ended this February. A second comment period is expected this spring.

Visit CalSTRS.com/regulations for updates and information on the creditable compensation regulations and any future proposed regulations.

▶ Retirement Progress Report Now Paperless

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This change was authorized by legislation and will help conserve environmental resources while reducing costs. Past reports as far back as 2002 are available to view at your convenience on *myCalSTRS*. If you would like to continue receiving your report by mail, you can change your delivery preference by one of the following methods:

Log in to *myCalSTRS* and go to *Settings*, then *Your Profile*. Scroll down to the Preferences section and select *Edit* next to *Notifications*. Select the *Retirement Progress Report* check box to receive your report by mail.

Download the online *Retirement Progress Report Delivery Preference* form at CalSTRS.com/forms or call 800-228-5453 to request a form be mailed to you. Mail your completed form to:

CalSTRS

P. O. Box 15275, MS 81
Sacramento, CA 95851

Fax your completed form to 916-414-5474.

Hand deliver your completed form to a local CalSTRS benefits counseling office. For a listing of offices, visit CalSTRS.com/localoffices.

CalSTRS must receive your request by June 16 to ensure you receive your 2014 *Retirement Progress Report* by mail.

If you don't already have a *myCalSTRS* account, it's easy to register. Go to myCalSTRS.com and select *Register Now* to begin the guided process, or watch the registration guide for step-by-step instructions.



For additional information, visit CalSTRS.com/retirement-progress-report.



Making Progress Toward a Funding Solution

By Jack Ehnes, CalSTRS CEO



For the past several years, CalSTRS has been working to demonstrate the urgent need for the Legislature and the Governor to craft a long-term funding solution to protect California's educators and the state's General Fund. Unlike other pension plans in California, CalSTRS lacks the authority to raise contribution rates and must instead rely upon the Legislature and the Governor.

As I mentioned in the previous issue of *CalSTRS Connections*, last year we submitted a report to the Legislature that provides a range of sustainable funding strategies that could be employed to secure the long-term funding needs of the Defined Benefit

Program. Also, our staff made considerable efforts to educate each state legislator on the status of CalSTRS' funding.

All of that hard work has started to pay off. In January of this year, the Governor introduced California's budget plan for the 2014–15 fiscal year. In the budget plan, the Governor commits to begin working with the Legislature, school districts, teachers and CalSTRS to enact a plan as part of the 2015–16 budget that will fully fund the Defined Benefit Program in the next 30 years.

Additionally, in February the Assembly Speaker and the chair of the Assembly Committee on Public Employees, Retirement and Social Security held a news conference to discuss efforts to improve the unfunded liability facing CalSTRS. Their goal is to have CalSTRS 100 percent funded, and efforts to develop a long-term funding plan will begin this year.

To help meet that goal, they called for a series of legislative hearings on CalSTRS' funding. I attended the first of these hearings in February and presented updated information on the funding report we provided the Legislature last year, which serves as a starting point for policymakers as they work to enact a sustainable funding solution.

As I shared with the committee, our preliminary estimates show an increase of 14.2 percent of payroll is needed to fully fund the Defined Benefit Program over 30 years beginning July 1, 2015. CalSTRS' funding is a shared responsibility among the state, school districts, and educators, and the proportion of increased contributions will need to be determined by the Legislature and the Governor.

CalSTRS will continue to work with the Legislature and the Governor as they develop a funding plan. As always, we will keep you updated on the progress of this very important issue, both in this newsletter and on CalSTRS.com.

Irvine Member Service Center to Open This Summer

Members in Orange County will soon have a new, full-service member service center in Irvine.

Survey results show that you want more information and services available with hours convenient to you. The opening of this member service center—along with current centers in Glendale, Santa Clara and at our West Sacramento headquarters—better serves your needs.

Easy Access to CalSTRS

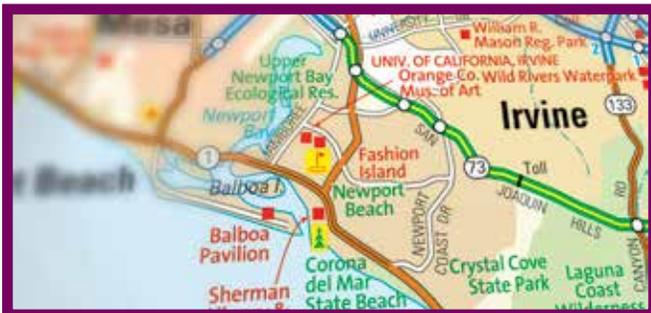
The Irvine member service center features:

- CalSTRS products and services. A full staff of CalSTRS employees offers benefits counseling, educational workshops, acceptance and review of forms, walk-in assistance and a complete assortment of publications and forms.
- Convenience. Located in Main Plaza at 2010 Main Street in Irvine, the center is a few minutes' drive from the John Wayne Airport. The center offers immediate access to Interstate 405, easy connection to Highways 55 and 73 and abundant free parking.
- Consistent hours of operation and contact methods. Center hours are Monday through Friday, 8 a.m. to 5 p.m. To contact the Irvine center, call 800-228-5453 (press 3 for scheduling), visit CalSTRS.com/contactus or use myCalSTRS online messaging.

Secure and Sustainable

The Irvine Member Service Center is in a secure, contemporary building that is Leadership in Energy and Environmental Design (LEED) certified. All member service centers reflect the same standards with which the CalSTRS Headquarters was built and is maintained.

Watch for more information at CalSTRS.com.



A Conversation With Timothy Smith

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A highly effective teacher must also be willing to engage students on a social level. When I develop personal relationships with the students, they are eager to come to class, they are more comfortable in class, and they are willing to take control of their learning.

Do you have a plan for your retirement? How does CalSTRS fit into that plan?

I shudder to think what life would be like without teaching, but yes, I have thought about retirement. CalSTRS is a major part of my retirement plans. I monitor my contributions and have been to a couple of retirement workshops. I have an additional 403(b) account and some mutual fund accounts. I also try to have very little debt and spend money wisely.



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 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	

Attend a CalSTRS Workshop



Attending a CalSTRS workshop is a great way to learn more about your CalSTRS benefits as well as planning for retirement.

CalSTRS Fundamentals Workshop

This workshop includes the basics of your CalSTRS retirement with a focus on:

- Ways to increase your CalSTRS retirement benefit.
- How to effectively plan for retirement.
- Setting a retirement goal.

View the workshop schedule online at CalSTRS.com/workshops or call 800-228-5453 and select option 3.



2013

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

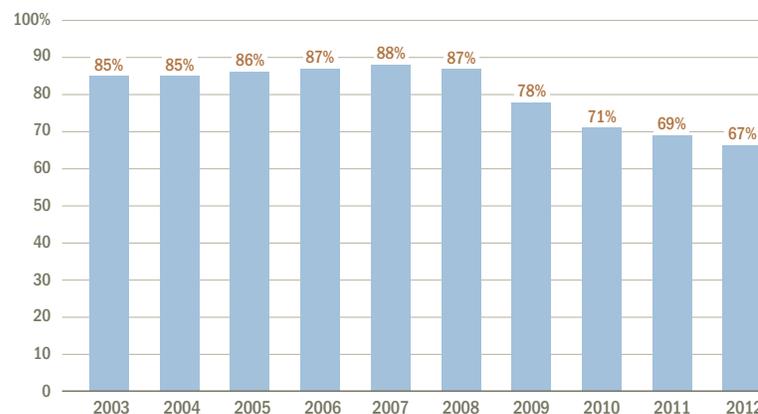
For the fiscal years ended June 30, 2013, and 2012	2013	2012
Net Assets Held in Trust, Beginning of Year	\$151,318,057	\$155,345,815
Additions		
Contributions (member, employer, State of California, federal government)	5,948,292	5,820,464
Investment Income	21,044,722	1,281,499
Investment Expense	(362,284)	(210,179)
Other Income	1,241	4,115
Total Additions	26,631,971	6,895,899
Deductions		
Benefits and Refunds	11,459,727	10,785,246
Administrative Expenses	136,944	138,411
Other Expenses	4,448	3,298
Total Deductions	11,601,119	10,923,657
Net Increase	15,030,852	(4,027,758)
Net Assets Held in Trust, End of Year	\$166,348,909	\$151,318,057

(Dollars in Thousands)

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.

Membership in 2013

Fiscal Year	2013	2012
Active Members	416,643	421,499
Inactive Members	182,576	178,655
Total	599,219	600,154
Service Retirements	236,487	230,278
Disability Benefits	9,374	9,036
Survivors Benefits	23,413	22,724
Total	269,274	262,038
Total Member and Beneficiaries	868,493	862,192
Total Benefit Payments	\$11.46 billion	\$10.79 billion

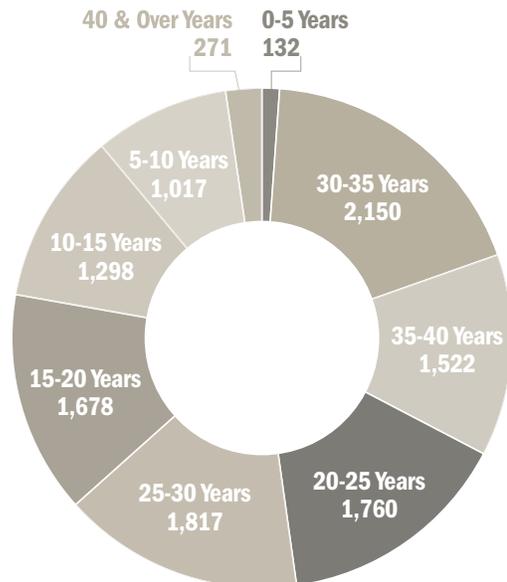
Average Active Member Age and Years of Service

Fiscal Year	2013	2012
Average Age	45.6	45.5
Average Years of Service	12.2	11.9
Average Annual Salary	\$65,571	\$64,743

Members Retiring in 2013

Fiscal Year	2013	2012
Number Retiring	11,645	13,619
Median Age	62.2	62.0
Median Years of Service	24.9	24.4
Average Member-Only Benefit	\$3,980	\$3,936

Years of Service at Retirement in 2013



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)	\$156.73	13.8%
Defined Benefit Supplement Program (in billions)	\$8.91	13.8%
Cash Balance Benefit Program (in millions)	\$188.47	13.9%
CalSTRS Pension2® (in millions)	\$484.12	11.8%

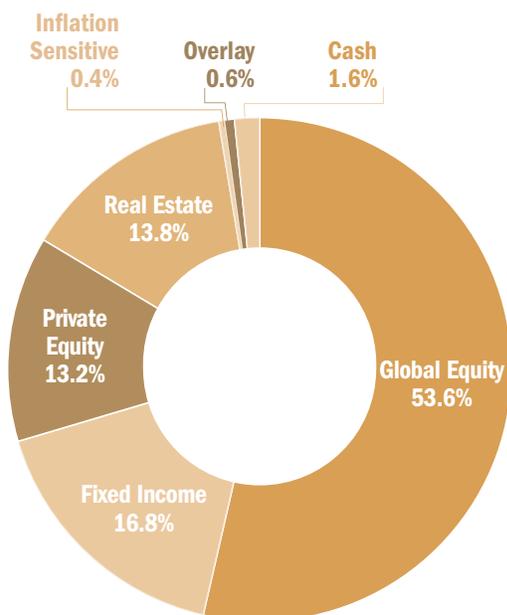
Portfolio Returns and Benchmarks

Benchmarks are goals and standards used to measure investment performance.



Securing Your Financial Future *continued*

Teachers' Retirement Fund Asset Allocation



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



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Sacramento, CA 95851-0275



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Find your nearest
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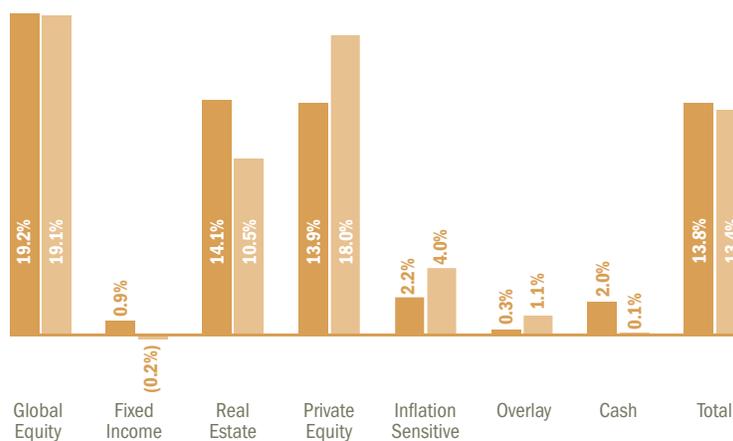
916-414-5040

STAY CONNECTED



One-Year Returns

Calculated using a time-weighted rate of return



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