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# CALSTRS Connections



## YOUR MONEY MATTERS

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS

### ► Board Election Slated for Fall 2015

Next fall CalSTRS active members will elect three of the 12 members on the Teachers' Retirement Board. CalSTRS will hold the election October 1 through November 30, 2015, for the following board seats:

- One preK-12 or county office of education employee who is an active CalSTRS Defined Benefit Program member or Cash Balance Benefit Program participant. This person cannot be an administrator.
  - » Elected by all preK-12 and county office of education employees who are active members or participants.
- One preK-12 or county office of education employee who is an active member or participant, including administrators.
  - » Elected by all preK-12 and county office of education employees who are active members or participants.
- One community college instructor who is an active member or participant.
  - » Elected by all active members or participants who are community college faculty.

#### Candidates

A Notice of Election and important candidate information, including nomination petitions, can be found on CalSTRS.com (under *About Us*, select *Teachers' Retirement Board*, then *Board Elections to Be Held in 2015—Candidate Information*).

Nomination petitions with at least 250 valid signatures are due March 2, 2015.

#### Board Member Responsibilities

Board members set policy and make rules and are responsible for ensuring CalSTRS pays benefits according to the law. The board appoints a Chief Executive Officer who is responsible for the administration of CalSTRS according to the board's policies and rules. The board also appoints a Chief Investment Officer who is responsible for the investment of the Teachers' Retirement Fund, in keeping with the board's policy.

The board has six standing committees: Appeals, Audits and Risk Management, Benefits and Services, Board Governance, Compensation and Investments.

#### Interested In a Board Seat?

If you are interested in running for a board seat, contact CalSTRS at **916-414-1411**.

### An Enhanced Pension2 Is Here!

Put the power of tax-deferral to work for your money:

- Investment options that match all levels of investment ability
- Professional advice for every level of investor
- Flexible plan choices
- No commissions or surrender charges
- Powerful planning and education resources
- Account management through online and mobile access.
- Easy payroll deduction of contributions
- 24/7 account access

See pages 6 and 7 to learn more.

## CalSTRS Mission:

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

### Teachers' Retirement Board

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

Jack Ehnes  
Chief Executive Officer

Christopher J. Ailman  
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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.

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# Full Funding Plan Strikes Right Balance

By Harry Keiley, Chair  
Teachers' Retirement Board

We began the new fiscal year with a full funding plan for the Defined Benefit Program. The plan strikes the right balance between time and financial commitment. It also supports the board's intent of a full funding approach and is consistent with our fiduciary responsibilities, governmental accounting standards and actuarial guidelines.

The funding solution is the result of 10 years of focused discussions, stakeholder outreach, and legislative visits and hearings—it's been a priority for the seven years I've been a board member. As a board, we did not have the authority to raise contribution rates—only the Governor and Legislature had that authority. We could educate and advocate, which we did alongside CalSTRS' staff.

I applaud CalSTRS' employees for their diligent efforts that led to the successful legislation. Staff and consultants spent a great deal of time analyzing the implications of short-term versus long-term costs and the risks associated with each. In fact, staff calculated an impressive 254 funding scenarios for legislators, the Governor and our other stakeholders to consider.

I also commend CEO Jack Ehnes' leadership, as well as the leadership of the Legislature, the Governor, the Department of Finance, teacher associations and other stakeholder groups, for their commitment to secure a funding solution this past legislative session.

As a board, we knew contribution rates had to increase—our member contributions had not increased in 40 years, and employer contributions had not increased for 28 years. Moreover, the state's contributions to the Defined Benefit Program had declined since 1998.

Also under the authorizing legislation, the Teachers' Retirement Board now has limited authority to set employer and state contribution rates to help us better respond to economic conditions.

With a responsible funding solution in place, our benefits are assured when we need them, which is welcome news all around.



## 403bCompare.com

Compare fees charged by different mutual funds and insurance products.



## ► Your Opinions Matter

### Look for Our Member Satisfaction Survey in January

This January we'll be conducting our annual Member Satisfaction Survey. The more we know about how we're doing at delivering services, what information is most important to you, how you prefer to communicate with us, and what programs need improvement, the better we can meet your expectations.

We're listening. From last year's survey, 40 percent of you responded that you were likely or very likely to attend a financial literacy workshop developed by CalSTRS. That's why we're busy building three interactive workshops that cover planning, saving and protecting your financial future. The new workshops are slated to begin in June 2015. Watch [CalSTRS.com](http://CalSTRS.com), [myCalSTRS](http://myCalSTRS.com) and our Facebook page for dates, locations and times.

You also told us that our response time for requests to purchase service credit was too long. We took a step back and fully reviewed our process. We added knowledgeable staff, realigned duties and are pleased to tell you we have reduced the wait time to 10 to 15 days, down from a high of 45 days. We're now working on ways to streamline other processes. You'll see more positive changes in 2015.

Our 2015 Member Satisfaction Survey will be emailed in mid-January to randomly selected active members. It should take about 10 minutes to complete, and is confidential, anonymous and secure. If you receive the survey, please take a few moments to fill it out.

Responding to the survey and giving feedback is your blackboard for notes to us. We look forward to hearing from you.

- Do we have your current email and mailing addresses? Update your contact information online at [myCalSTRS.com](http://myCalSTRS.com) or complete the *Address Change Request* form, available at [CalSTRS.com](http://CalSTRS.com), so you don't miss important communications from us.

## ► Learn More About Your CalSTRS Membership

### Plan to Attend a Workshop

Whether you're just starting your teaching career or are an experienced educator, are you familiar with your CalSTRS retirement, disability and survivor benefits? Do you know what steps you can take now to increase your retirement benefit and your income in retirement?

We invite you to learn more by attending a CalSTRS workshop or benefits counseling session:

**Demystifying CalSTRS**—Covers the essentials of your CalSTRS membership and benefits in a PowerPoint presentation. Register at [CalSTRS.com/workshops](http://CalSTRS.com/workshops).

**CalSTRS and You**—Presents your CalSTRS benefits and ways to increase your retirement benefit and income in retirement in an interactive group setting. Register by calling **800-228-5453**.

**CalSTRS New Beginnings**—Covers your benefits under the CalSTRS 2% at 62 benefit structure and steps you can take now to increase your CalSTRS benefit and other income in retirement. Register at [CalSTRS.com/workshops](http://CalSTRS.com/workshops).



## ► 2013–14 Retirement Progress Reports Now Online

Your *Retirement Progress Report* for 2013–14 is now available online using your *myCalSTRS* account. Accessing your report online is:

- **Convenient**—Review your current report online, as well as your reports from as far back as 2002, any time, anywhere.
- **Enhanced**—On *myCalSTRS*, your report is paired with an online glossary that explains the terms used in the report. In the *Employer Detail* screen, you can view a breakdown of your earnings, contributions, compensation earnable and service credit by employer and by assignment.

### How to Access the Report Online

To view or print your report online, log on to your *myCalSTRS* account at **myCalSTRS.com**, select *View Your Retirement Progress Report*, and then select the year and account type.

CalSTRS now delivers the *Retirement Progress Report* online only at *myCalSTRS* unless you request to also receive it by mail. For mail delivery of the 2013–14 report, you must have submitted your request or updated your preference online by June 16, 2014. Reports were mailed in early October.

If you missed the deadline and want your report by mail, update your delivery preference by logging on to *myCalSTRS* and updating the *Your Profile* screen, or by submitting the *Retirement Progress Report Delivery Preference* form, available at **CalSTRS.com/forms**.



## ► Forgot Your myCalSTRS Password?

If you've forgotten your *myCalSTRS* username or password, you can retrieve them online in just a few steps:

- On **myCalSTRS.com**, select the *Forgot Your Username or Password?* link located below the Register Now button.
- **myCalSTRS** will ask you to provide some personal information to verify your identity.
- **myCalSTRS** will display your username and give you the option to reset your password.

### Remember, passwords are case sensitive and must contain:

- Eight to 50 characters.
- At least one uppercase letter.
- At least one lowercase letter.
- At least one number.



## ▶ New Creditable Compensation Regulations Effective January 1

At its September 2014 meeting, the Teachers' Retirement Board adopted regulations clarifying creditable compensation for CalSTRS 2% at 60 members after going through the regulatory review process. The regulations became effective January 1, 2015.

The regulations provide guidance on what constitutes a class of employees, what is creditable to the Defined Benefit Supplement Program, what is not creditable to CalSTRS, what CalSTRS considers to be consistent treatment of compensation and, if compensation is found to be inconsistent, how CalSTRS determines the appropriate crediting of contributions to the Defined Benefit and Defined Benefit Supplement programs.

If you have questions about how your employer reports your creditable compensation to CalSTRS, please contact your employer.

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## ▶ CalSTRS Online Calculators Updated

Two CalSTRS online calculators, *Retirement Benefits* and *Permissive Service Credit*, have been updated to reflect the new CalSTRS 2% at 62 benefit structure.

You'll also find two other calculators online: *Redeposit Cost*—if you want to restore refunded Defined Benefit service credit if you reinstated—and *Finance*—to estimate the number of installments or the installment amount to finance your service credit or redeposit purchase.

Keep in mind the online calculators provide only estimates of your future retirement benefits and permissive service credit purchase costs. These estimates are non-binding. To obtain actual purchase costs, establish a receivable account or obtain official billing information, contact us.

➤ [CalSTRS.com/calculators](http://CalSTRS.com/calculators)

## ▶ New CalSTRS Video Features Retired Teacher From Bishop

Frances Cholewa traded her days inside her 4th grade classroom at Bishop Elementary School for the outdoors where she is a docent at Schulman Grove Visitor Center in the Inyo National Forest. Whether she's leading trail hikes in the Ancient Bristlecone Pine Forest or sharing the history of the White Mountains, Cholewa is still passionate about teaching. She explains, "once an educator, always an educator, it's in your blood."

The video is the second in the series, "California Educators," in which CalSTRS celebrates our dedicated members. In the first video, we spend a day with longtime CalSTRS member Dr. Genevieve Shepherd, a principal at Tom Bradley Global Awareness Magnet School in Los Angeles.

📺 You'll find the videos at [CalSTRS.com/multimedia](http://CalSTRS.com/multimedia).



# ► The Enhanced CalSTRS Pension2<sup>®</sup> Is Live It's Your Future. Choose Pension2.



The transition to Voya Financial™, Pension2's new recordkeeper, has been completed and all Pension2 accounts have transferred to Voya™. Check out the new investment options, online planning tools and more at Pension2.com.

## Pension2 Complements Your CalSTRS Retirement Benefit

Pension2 offers 403(b), 457(b) and Roth 403(b) plans. All school employees are eligible to participate—both certificated and classified employees. Pension2 allows you to make contributions from your paycheck on a pre-tax basis. In addition, your contributions and any earnings benefit from the power of tax-deferred compounding. What this means is that you don't pay income taxes on your investments or earnings until you start to take withdrawals, usually in retirement. You can also make post-tax contributions to a Roth 403(b) account if your employer offers this plan.

## Low Cost, More Features

Designed as a revenue-neutral program, Pension2 has low fees and expenses, so you can keep more of your hard-earned retirement savings working for you. CalSTRS is committed to keeping costs low. Pension2 has no commissions, no front- or back-load fees and no surrender charges.

Fees are charged for three services only: plan administration, investment management and district contracted third-party administrator for 403(b) participants.

## Services to Help You Succeed

When it comes to investing, most of us could use some help. With Pension2, you have access to professional investment advice through the services provided by Voya Retirement Advisors, powered by Financial Engines®. Get clear, personalized and objective investment and retirement planning advice offered through two levels of service:

**Advice for the Do-It-Yourself Investor**—Do you prefer to manage your own retirement account? With Online Advice, a Web-based service, you can get a personalized retirement forecast, risk assessments, and specific plan-related savings and fund recommendations.

**Fully Managed Account Service Option**—Do you prefer to hire a professional to manage your Pension2 account? With Professional Management, you receive a personalized retirement savings and investment strategy, as well as ongoing monitoring and management of your account. You are notified of each transaction and receive quarterly Retirement Updates to stay informed. You pay an additional fee for this service.

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

## Two New Online Planning Tools

Through Pension2, you also have access to retirement income planning tools and account management features at Pension2.com:

**myOrangeMoney** is designed to help you focus on what matters most—how your accumulated savings translates into estimated monthly income in retirement.

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

Find links to these tools and more at Pension2.com.

### ➤ **Pension2.com**

Learn more about Pension2 plans, find enrollment forms, financial planning tools and more. Or call 888-394-2060.

### ➤ **yourplan.CalSTRS.com**

Find complete information about the plans offered by your employer, including forms and approved vendors.

### ➤ **403bCompare.com**

Compare fees charged by different mutual funds and insurance products.

## 5 Reasons Why You Should Start Saving Today

Here are five...just for starters:

- 1 Close your retirement income gap.
- 2 Give yourself a tax break.
- 3 Easy Choice investing.
- 4 Saving now can make a big difference later.
- 5 Peace of mind for a secure future.

Look for the new Pension2 e-enrollment booklet on Pension2.com in early January.

It's your future. Choose Pension2™.



## Pension2: Designed With Your Interests in Mind

- Promotes smart investing principles.
- Investment options that match all levels of investment ability:
  - » **Easy Choice Portfolios** designed to take into account your risk tolerance and retirement date.
  - » **Core Investment Options** where you choose your funds from a carefully selected list of core investment fund options and actively design and manage your asset allocation over time.
  - » **Self-Directed Brokerage Account.**
- Easy payroll deduction of contributions.
- Contributions and earnings can benefit from the power of tax-deferral.
- Withdrawals are taxed as ordinary income when distributions begin.
- Simple, low-cost fee structure.
- Experienced retirement specialists help you define your retirement goals, integrating them with your CalSTRS retirement benefit.
- Access to financial learning resources, provided by Voya Institutional Plan Services, including tools for retirement planning, personal finance, estate planning and family finance.

## ► Want More Money for Your Future? Consider Purchasing Service Credit

Buy service credit now if you're eligible to do so and it could pay off in the long run. The more service credit you have at retirement, the greater your CalSTRS retirement benefit will be. And it's less expensive to buy service credit now than later in your career.

Read the *Purchase Service Credit Now* fact sheet for an overview of this process and how it can affect your final retirement benefits.

If you want to learn more, turn to the *Purchase Additional Service Credit* booklet, which details the steps to purchase credit. It also shows you how to calculate the recovery time—that is, how to compare the purchase price with the potential boost to your retirement benefit to make an informed decision.

Find these publications and others online at [CalSTRS.com/member-benefit-information](http://CalSTRS.com/member-benefit-information).



### Permissive Service Credit

You may be eligible to purchase certain types of service credit not previously credited, including:

- Nonmember service, such as part-time or substitute service in the California public school system, before you were a CalSTRS member or after taking a refund and before becoming a member again.
- Employer-approved maternity or paternity leave, up to 24 months.
- Out-of-state or foreign school education services performed in a public education position.

You may purchase a portion, rather than all, of the permissive service you have available.

- Estimate your projected retirement benefit using the calculator at [CalSTRS.com/calculators](http://CalSTRS.com/calculators).

# ► Sustainability At Work At CalSTRS

CalSTRS doesn't just talk about sustainability—we're actively engaged in making a difference.

Our commitment to sustainability extends from our global, environmentally focused strategies to enhance the returns of the CalSTRS Investment Portfolio to the workplace where staff are achieving greener footprints at our West Sacramento headquarters and our member service centers in Glendale, Santa Clara and Irvine.

## At our LEED Platinum-certified building in West Sacramento:

- Employees can commute by bicycle, secure their bikes in a bicycle cage and take a quick shower to freshen up for their workday.
- Twice a year CalSTRS partners with CEAR, California Electronic Asset Recovery, for a personal e-waste day. Employees can drop off their old computers, cell phones, VCRs and more to be recycled and repurposed.
- The CalSTRS Café uses compostable cutlery and take-out containers. Plus, both the café and our facilities' staff purchase sustainably made goods—locally when possible—to reduce the emissions from travel and to save natural resources.
- All water faucets have low-flow aerator adaptors.

Here's a look at our energy and water savings for our headquarters building alone, comparing January through August of this year to the same period in 2013:

## Water

**18 percent savings** over 2013 = 1,060,664 gallons

Equivalent to the amount of daily water usage for 4,079 average U.S. homes (U.S. Environmental Protection Agency)

## Electricity

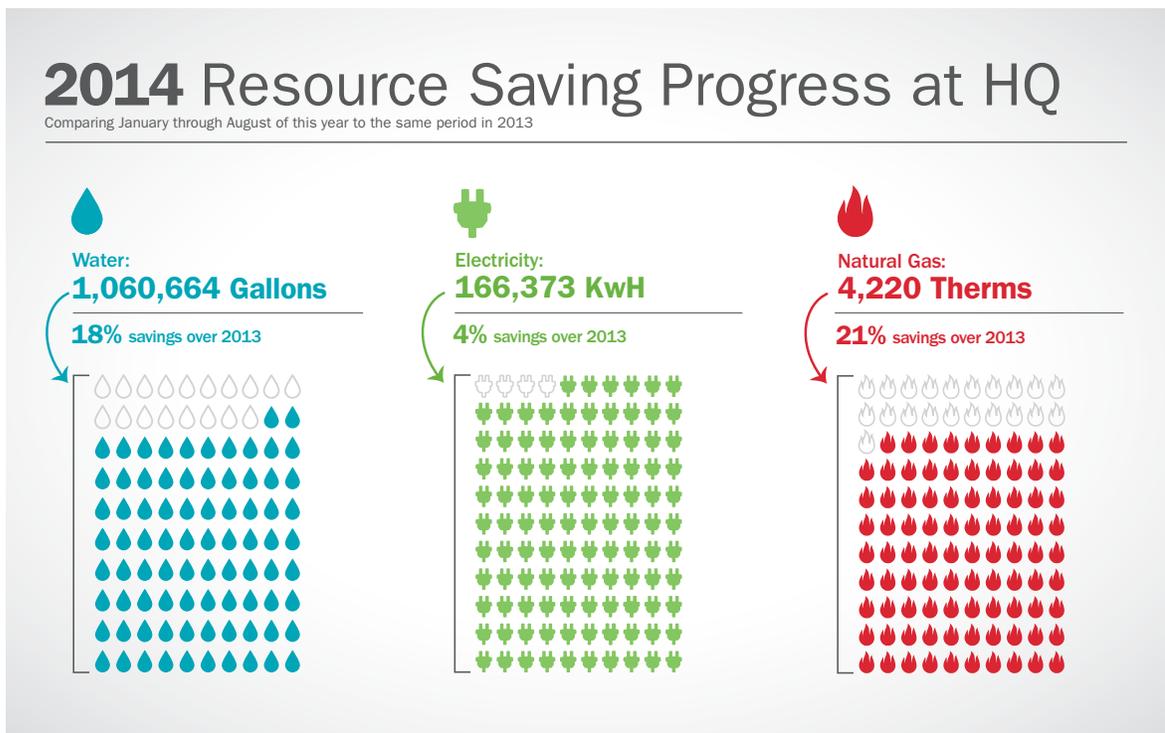
**4 percent savings** over 2013 = 166,373 kilowatt hours

Equivalent to the energy needed to power 24 average U.S. homes (U.S. Department of Energy)

## Natural Gas

**21 percent savings** over 2013 = 4,220 therms

Not just energy savings, but a decrease of more than 49,000 pounds of CO2 emissions too!



## ► We Have a Responsible Funding Plan

### Our healthy, long-term viability back on course

By Jack Ehnes, CalSTRS CEO



We now have a viable funding plan for the Defined Benefit Program. While there was no easy solution to address our unfunded liability, we believe the 32-year full funding plan is strong and complete. The plan relies on contribution increases from all parties—members, employers and the state—without reducing benefits. The new contribution rates started July 1.

The Governor signed AB 1469 on June 24, fulfilling the Legislature and Governor's commitment earlier this year to making CalSTRS' funding a priority. This legislation, enacted as part of the state's 2014–15 budget, concludes a decade-long effort to bridge our

nearly \$74 billion funding gap and sets a course for our healthy, long-term viability.

Under the plan, the 2 percent annual benefit adjustment cannot be reduced for members who retire on or after January 1, 2014, in exchange for the increased member contribution rates.

The new legislation also gives the Teachers' Retirement Board limited authority to set employer and state contribution rates. Member rates remain fixed in statute. In addition, CalSTRS must submit a funding status report to the Legislature every five years to communicate the plan's progress in attaining an appropriately funded benefit program.

Working toward full funding in approximately 30 years is a sound and reasonable approach and in line with the report we submitted in 2013, pursuant to Senate Concurrent Resolution 105, on considerations essential to achieve a long-term sustainable funding plan. It ensures a secure retirement for future generations of members and protects the state's General Fund.

Fortified with this new influx of contributions, we remain steadfast in our dedication to meet our investment assumptions.

We look forward to the next 100 years with a renewed level of financial confidence and assurance.

► See **CalSTRS.com** for more information.

# At a Glance

## Member Contributions

**CalSTRS 2% at 60 members** (first hired on or before December 31, 2012): Increasing 2.25 percent phased in over three fiscal years. Your contribution rate for 2014–15 is 8.15 percent. It increases to 9.2 percent in 2015–16 and to 10.25 percent in 2016–17.

**CalSTRS 2% at 62 members** (first hired on or after January 1, 2013): By law, these members must contribute 50 percent of the normal cost of their benefits, so the contribution rate will be adjusted up or down depending on the normal cost of benefits. For 2014–15, the contribution rate is 8.15 percent. It is anticipated the rate will be 8.56 percent in 2015–16 and 9.205 percent in 2016–17.

## Employer Contribution

Increasing gradually over seven years from 8.25 percent to 19.1 percent; 8.88 percent in 2014–15.

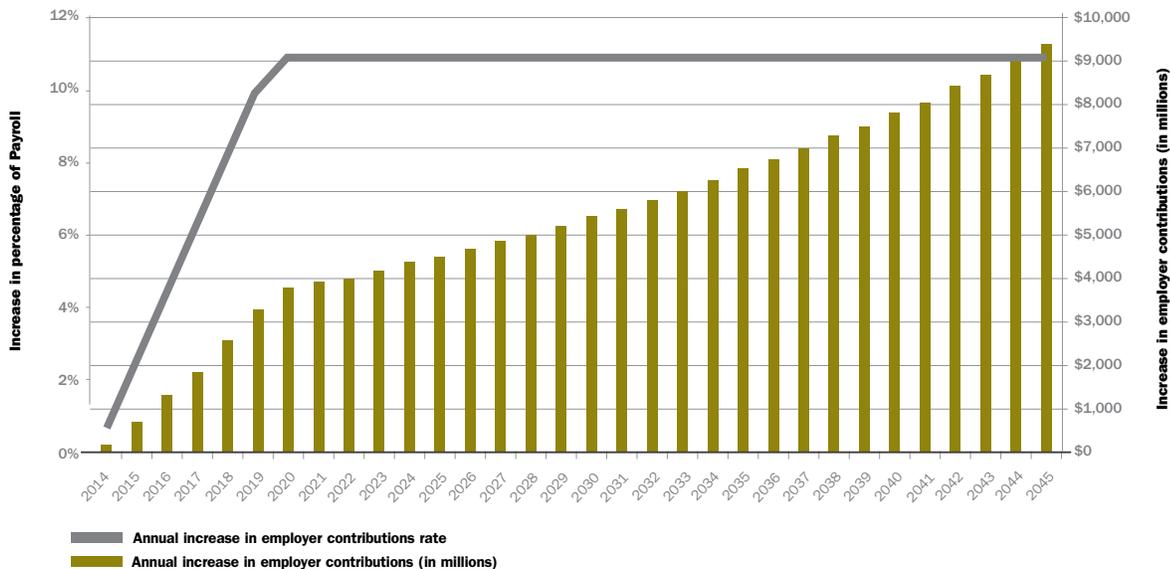
## State Contribution

Increasing over three years from 5.541 percent (includes contributions for purchasing power protection) to 8.828 percent.

# ► 2014 Funding Plan Increases Employer Contribution Rate By 10.85 Percent

The 2014 full funding plan closes the nearly \$74 billion funding gap in the Defined Benefit Program over the next 32 years by bringing in more revenues from members, employers and the State of California. Under the plan, employers will pay the biggest share. School employer contributions will increase to 19.1 percent of payroll over the next seven years from the 8.25 percent rate employers had been paying since 1990—an overall increase of 10.85 percent.

The graph below shows the annual increases in the employer contribution rate as a percentage of payroll and the annual estimated increases in employer contributions for 2014 to 2045.



## 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	

## ▶ Connect With Us On Social Media



Connect and engage with us on your favorite social media. We're here because you are. It's a great way to keep up on the latest CalSTRS news, share ideas and connect with other educators.

You can find us on Facebook, Twitter, Google+, YouTube, LinkedIn and Pinterest. Invite your colleagues to join us too.

➤ [CalSTRS.com/stay-connected](http://CalSTRS.com/stay-connected)



We've been working hard to provide Facebook content that's informative, engaging and fun. What would you like to see us post on our Facebook page in the new year? Do you have a photo you'd like to share for Throwback Thursday? Visit us on Facebook and tell us what you think.