



RETIRED Educator

WINTER 2016

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

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Understanding Your 1099-R

You should receive your IRS Form 1099-R for tax year 2015 in the mail by early February. The following questions and answers will help you read and understand your form.

What payments are included on my 1099-R?

Your 1099-R lists the total amounts CalSTRS paid you in 2015—payments issued from January 1, 2015, through December 31, 2015.

Why do I have more than one 1099-R?

If you received more than one type of payment from CalSTRS in 2015, such as your monthly benefit and a lump-sum payment, you received a 1099-R for each.

A small number of retired members also receive W-2 forms for the portion of their CalSTRS benefit that exceeds the annual limit set by Internal Revenue Code section 415(b). In addition, you may receive 1099-Rs for your retirement income from other financial institutions, including IRAs.

What if I repaid an overpayment?

Members occasionally receive an overpayment of their monthly CalSTRS benefit that they must pay back. When the overpayment and repayment occurred determines how your income gets reported.

Repaying funds reported as income in a previous tax year may mean you can recover taxes you paid on that income. If you repay previous years' overpayments, CalSTRS normally sends you a letter acknowledging the repayment, in addition to your 1099-R. For example, if you received an overpayment in 2014 and repaid us in 2015, you will receive a letter acknowledging the repayment. Keep this letter for your 2015 tax return. Consult a professional tax adviser for additional information.

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CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

SEMIANNUAL NEWSLETTER FOR CALSTRS BENEFIT RECIPIENTS

End of an Era: December Marks Closing of Association of Retired Teachers

After four decades of tireless advocacy to safeguard the retirement and health benefits of Los Angeles Unified School District educators, the Association of Retired Teachers is saying goodbye.

“The time has come, that’s all,” said ART Board President Naomi Hyman. “It is time for us to retire.”

ART was formed in the early 1970s out of a need to protect a negotiated agreement for lifetime health care benefits in lieu of a salary increase that educators had negotiated. Since then, ART has worked to advance the retirement of LAUSD educators through advocacy in dealing with local, state and national legislation. Rusty Selix served as the association’s legislative advocate and wrote about retiree legislation through ART’s newsletter managed by Libby Ginsburg. The group held monthly steering committee meetings and sponsored an annual luncheon. Luncheon speakers often included representatives from the LAUSD board, United Teachers Los Angeles and CalSTRS. Ms. Hyman joined ART’s steering committee after retiring in 1991.

“At first I didn’t want to get involved. After three months I said to myself, ‘If you’re just willing to sit there and yap and talk about how bad it is, but you won’t do anything, then just keep quiet.’ And since I’m not one who could keep quiet, I volunteered to go on the steering committee and was then asked to serve on the health benefits committee where I am now the longest serving member. I learned that you don’t get what you want immediately and you just have to keep plugging away.”

“We gave up salary for health benefits. That was the initial bargaining and it stayed that way. We never made a lot of money, but we have maintained these good health benefits for all these years because of ART’s dedication. Most California educators do not get health benefits into retirement. We also now have CRTA and UTLA-R working to keep our benefits.”

The last ART newsletter issue was published in December. Mr. Selix has plans to soon launch a newsletter of his own that will publish a few times a year and continue the focus on legislation as it affects retired California educators.

“Rusty Selix did a magnificent job as our legislative advocate and Libby Ginsburg produced a phenomenal newsletter that kept our members well informed,” Ms. Hyman added.

“We never made a lot of money, but we have maintained these good health benefits for all these years because of ART’s dedication.”

— ART Board President Naomi Hyman

 ASSOCIATION OF RETIRED TEACHERS

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 Retired Educator is published twice a year for retired members and benefit recipients of the California State Teachers’ Retirement System. Send your comments or suggestions to:

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

 printed on recycled paper

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Pay Dates for 2016

The tables below show the pay dates for CalSTRS benefits checks in 2016. Payments are made in arrears, so the payment you receive each month is the payment for the prior month's benefit. The State Controller's Office issues the payments and determines the check mailing and direct deposit dates.

2016 Pay Dates

Benefit Month	Check Mailing Date		Direct Deposit Date
	Southern California and Out of State*	Northern California**	
January 2016	1/28/2016	1/29/2016	2/01/2016
February 2016	2/26/2016	2/26/2016	3/01/2016
March 2016	3/29/2016	3/30/2016	4/01/2016
April 2016	4/27/2016	4/28/2016	4/29/2016
May 2016	5/27/2016	5/27/2016	6/01/2016
June 2016	6/28/2016	6/29/2016	7/01/2016
July 2016	7/28/2016	7/29/2016	8/01/2016
August 2016	8/29/2016	8/30/2016	9/01/2016
September 2016	9/28/2016	9/29/2016	9/30/2016
October 2016	10/28/2016	10/28/2016	11/01/2016
November 2016	11/28/2016	11/29/2016	12/01/2016
December 2016	12/28/2016	12/29/2016	1/03/2017

2016 Supplemental Pay Dates

Benefit Month	Check Mailing Date		Direct Deposit Date
	Southern California and Out of State*	Northern California**	
March 2016	3/29/2016	3/30/2016	04/01/2016
June 2016	6/28/2016	6/29/2016	07/01/2016
September 2016	9/28/2016	9/29/2016	09/30/2016
December 2016	12/28/2016	12/29/2016	01/03/2017

What If Your Payment Is Late?

Direct Deposit

If you have direct deposit, your financial institution has until the close of the direct deposit date to place the funds in your account. Please contact your financial institution to find out what time it places your funds into your account.

Paper Checks

If your retirement check is mailed to you and you have not received it by the fifth business day of the month, contact us at **800-228-5453**.

Understanding Your 1099-R

(continued from page 1)

If you received an overpayment in 2015 and repaid it in 2015, the Gross Distribution box on your 1099-R showing the total amount you received in 2015 will be adjusted accordingly, so you will not receive a letter from us.

For more information, see IRS Publication 525, *Taxable and Nontaxable Income*, at irs.gov.

What if I did not receive my 1099-R?

Your 1099-R was mailed in late January to the mailing address on file with CalSTRS as of December 24, 2015. You can print a duplicate 1099-R from your *myCalSTRS* account at myCalSTRS.com. You also can call, fax or email us to request a copy. If you've moved, remember to update your address at myCalSTRS.com.

What if I do not understand my 1099-R?

To start, you will find descriptions for all of the boxes on the back of your 1099-R. You can check out the FAQs available at CalSTRS.com/tax-information. You also can contact the California Franchise Tax Board or the IRS. To reach the FTB directly, go to ftb.ca.gov or call **800-852-5711**. If you have questions for the IRS, visit irs.gov or call **800-829-1040**.

Why is my 1099-R smaller and there's no Copy 2?

To support CalSTRS' commitment to sustainability, the 1099-R is now printed on a smaller paper template. The IRS does not require us to include Copy 2, so we no longer do so. You can view and print additional 1099-R statements for your records by logging into your *myCalSTRS* account online.

How Are You Spending Your Retirement?

Celebrating Careers Well Spent



**Carol Thorsness
Livermore, CA**

**Retired: 2002
Livermore School
District**

We hope you enjoy the second installment of our new “How Are You Spending Your Retirement?” series that focuses on career accomplishments and retirement adventures of our members. Miss the first one?

Go to CalSTRS.com/retired-educator and you'll find it in the Summer 2015 issue.

After a busy teaching career, retirement for Carol Thorsness meant finally having enough time to write and publish her first book. Her young adult novel “You Can’t Always Get What You Want” can be found on Amazon.com.

Was teaching your first career choice?

I was fortunate to stumble into teaching. I was the first in my family to go to college, but I didn't really know what I wanted to do. I lived in Texas at the time, and St. Francis de Sales Catholic School in Houston needed teachers, so I decided to give it a try. Teaching was an excellent fit. My husband's job eventually brought us out to California. I taught special education as well as some 6th grade and ended my career teaching 8th grade core.

What is one of your biggest accomplishments as a teacher?

I established Career Week for my 8th grade class and brought in parents to talk about their careers. The kids got a different perspective of what they could look forward to later on in life. I was so proud of all my students. They were clever and creative, and they worked hard. And they were kind, too, which is something I think middle-schoolers don't get credit for.

How are you spending your retirement?

I wrote a book! I've been writing all my life, but this is the first book I've finished and published. “You Can't Always Get What You Want” is a young adult novel. I used what I knew about middle school kids to fashion the characters and the problem situations they get themselves into. The book focuses on the kids getting out of those situations and how they help each other. It's a bit of a coming-of-age story.

Is there anything you'd like to add?

Retirement is great! I really miss the kids. I miss the act of teaching but I do not miss having to get up early in the morning! Also, retirement gives you lots of time to do the other things you have set aside while you're busy teaching. Because, let's face it—if you're teaching, you just don't have a lot of time for the extra stuff. I'm working on another book—for adults this time. It's about a woman who has gone through a divorce and builds a new and wonderful life on the Big Island of Hawaii. I've also become quite the tiler. I've retiled the entire condo we have in Hawaii. I used Aleve in the morning and wine in the afternoon! It's a lot of fun!



**“I wrote a book!
I've been writing
all my life, but this
is the first book I've
finished and published.”**

— Carol Thorsness

Divorced? Remarried? Other Big Life Changes?

Update your one-time death benefit recipient information on *myCalSTRS*

Check your recipient designation information periodically to ensure everything is up to date, especially if you've gone through a divorce, remarried or your family has grown since your retirement account was established. Log on to **myCalSTRS.com** for secure and convenient access to your CalSTRS accounts and select *Manage Your Beneficiary Selections*.

Direct Deposit: Closing or Switching a Bank Account?

Manage your information online with *myCalSTRS* for faster processing

Your *myCalSTRS* account provides you with an easy, secure way to update your direct deposit information online when you close or switch a bank account. Your first payment will be deposited into your new account within 60 to 90 days after we verify your new account. To avoid a delay in processing your direct deposit payments, don't close your old account until your first payment is deposited into your new account. If you close a bank account because of suspected fraud, ask your bank to leave that account open for deposits only until you see the funds in your new account.

Register at **myCalSTRS.com** for convenient access to your CalSTRS accounts and forms.

➤ **Forgot Your *myCalSTRS* Username or Password?**

Go to **myCalSTRS.com** and select the *Forgot Your Username or Password?* link located below the *Register Now* button then follow the prompts.



Receive Instant Verification of Your Benefits Online

Get instant benefits verification letters for Social Security or loan purposes by submitting a *Verification of Benefits Request form* or a *Verification of Benefits for the Social Security Administration form* online. Login to your **myCalSTRS.com** account, click the *Complete & Submit Forms* icon and follow the guided step-by-step instructions to complete your request and to access a printable verification letter.

End of a Era: December Marks Closing of Association of Retired Teachers

(continued from page 2)

"I really feel ART was a small but mighty organization," noted Ms. Hyman. "We had about 1,300 members and we were all from LAUSD. We did a good job. We really did."

"It's important for people to know how important CalSTRS is to retired teachers," Ms. Hyman added. "We don't make a lot of money and we get a lot of bad press, but we feel that CalSTRS is well run. It could always use more money, but it is very well run!"

New Pension Initiative Efforts Are Not a Solution

By Jack Ehnes, CalSTRS CEO



By creating the illusion of a catastrophic pension crisis, pension critics would have you believe that the only way to create a sound and sustainable retirement savings program is to move away from a defined benefit pension, preferably replaced with a defined contribution retirement

plan or perhaps none at all. Many recent studies, media articles and now two new ballot initiatives are based on the same flawed logic.

While a discussion on how to improve the financial condition of pension plans and reduce costs is a fair one to have, basing the discussion on the twin notions that public employee defined benefit pensions crowd out government services and that the only alternatives are to slash guaranteed retirement income and/or force public employees into 401(k)-type plans is ultimately detrimental and costly to taxpayers and retirees alike.

Case Studies on Pension Plan Swaps Speak Volumes

In fact, a study from the National Institute on Retirement Security found that converting from defined benefit to defined contribution plans actually increased costs and increased pension underfunding. “Case Studies of State Pension Plans That Switched to Defined Contribution Plans” summarizes the impact of switching from a defined benefit pension to a defined contribution plan in three states—Alaska, Michigan and West Virginia. (You can find the study at nirsonline.org by clicking on the *Education* tab in the navigation bar.)

One state, West Virginia, moved to a defined contribution plan in 1991 then switched back to a

defined benefit plan 14 years later. After studying the costs of going back to a defined benefit plan in 2003, the state found that the normal cost (the cost of benefits accrued in a single year) for its defined benefit retirement system was nearly half of the required employer contribution to the defined contribution plan. As a result, the state decided in 2005 to put all new hires into a defined benefit plan.

Moreover, 78.6 percent of employees who opted to participate in the defined contribution plan in 1991 switched back to the defined benefit plan, including 76 percent of teachers under 40 years old. The study also highlights the dismal average member account balance of the state’s defined contribution plan, which as of April 30, 2005, was just \$41,478. Only 6 percent of teachers over age 60 had balances of more than \$100,000.

The case studies indicate that the best way for a state to address pension underfunding is to implement a responsible funding policy with full annual required contributions and evaluate assumptions, funding policies and plan design over time, and make adjustments as necessary. Additionally, any existing unfunded liability must be addressed unless accrued benefits are cut, which in California cannot occur because of legal constraints, nor is this idea being proposed by pension critics. Thus, switching from a defined benefit plan to a defined contribution plan does not offer a viable solution to shore up any unfunded liabilities and can actually make them worse.

Pension Reform in California Has Already Occurred

Pension reform in California took place with enactment of the Public Employees’ Pension Reform Act of 2013. While PEPRA provided much needed safeguards around troublesome issues such as pension spiking and double dipping, it did not address the CalSTRS unfunded liability.

A funding solution came with enactment of the 2014 CalSTRS Full Funding Plan (Assembly Bill 1469-Bonta). Through gradual contribution increases by all the plan's contributors—the state, employers and members—the Defined Benefit Program is on course to be fully funded by 2046. For CalSTRS, contributions are projected to be sufficient to maintain the normal cost of the Defined Benefit Program and amortize the existing unfunded liability. In other words, the system is on solid ground.

Defined Benefit Pensions Are Responsible and Efficient

The economic downturn of 2009 still has many strapped governmental entities struggling to recover from tremendous financial burden. However, defined benefit pensions are not the cause of the financial turmoil, nor is cutting those pensions the solution. Breaking promises to existing workers and eliminating a secure retirement for future generations only replaces one problem for another.

As these issues play out in the media and legislative process, keep in mind some very important facts:

- CalSTRS members earn a reasonable benefit for the service they provide to California's students. On average, CalSTRS members retire at age 63, and receive slightly more than half of their final salary after more than 25 years of service.
- CalSTRS members receive no Social Security benefits for their CalSTRS-covered employment. For many, their CalSTRS pension is their only retirement income.
- Generally, CalSTRS retired members do not receive employer-paid health care benefits after age 65.
- CalSTRS has not been subject to any "pension holidays," which means contributions have been made continuously, thus reinforcing the sustainability of the fund.

With appropriate funding, a defined benefit plan such as the CalSTRS Defined Benefit Program is a responsible, efficient way to provide secure retirement income. The generations of California educators that have come to rely upon this modest retirement income for more than 100 years are a testament to the system's sound design. Successful discussions and solutions occur when the parties involved focus on unbiased facts and practical recommendations.

CalSTRS will follow the two proposed constitutional amendment pension initiatives closely as they play out in the media and legislative process. The first initiative is called the "Voter Empowerment Act of 2016" by proponents, and the second initiative is called the "Government Pension Cap Act of 2016." Both initiatives were filed by the same authors, former San Jose Mayor, Chuck Reed, and former San Diego City Councilmember, Carl DeMaio.

CalSTRS Financial Awareness Workshop Series

Protect Your Future: Coming in June 2016

Protect the retirement plans you've set in motion. During this 2-hour workshop you'll learn more about benefit adjustments and distributions, maximizing income in retirement and ways to protect the retirement lifestyle you've built. To register, visit CalSTRS.com/workshops.



CalSTRS Resources

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Calls from outside the U.S.
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855-844-2468 (toll free)
Pension Abuse Reporting Hotline
- WRITE** **CalSTRS**
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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



(Photo courtesy Library of Congress, Farm Security Administration, Office of War Information Photograph Collection.)

Like Us on Facebook

Remember when music education was a regular part of the school day? This 1941 photo features a music class at the Balboa School in San Diego. Check out this and other “Throwback Thursday” photos at facebook.com/CalSTRS. With more than 10,000 “likes,” our Facebook page is a great place for members to share ideas and connect with other educators.



➤ **Moved Recently?** Update your contact information online through your *myCalSTRS* account or complete the **Address Change Request form** available on CalSTRS.com/forms.



2015 | FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 Position

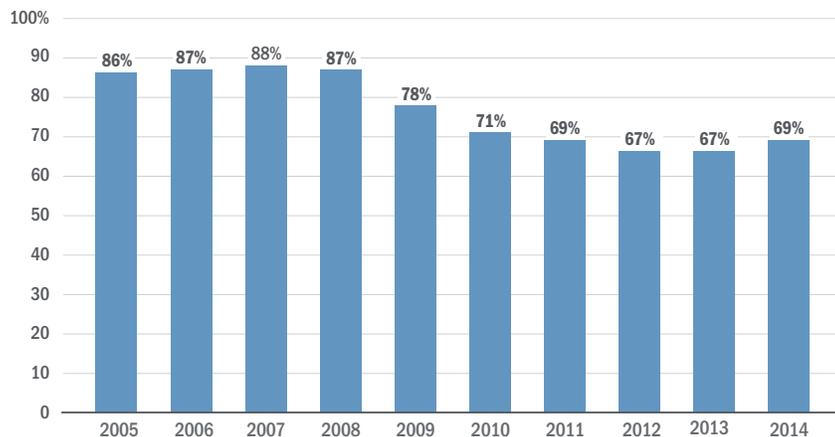
(Dollars in Thousands)

	2015	2014
Net Assets Held in Trust, Beginning of Year (as previously stated)	\$190,474,016	\$166,348,909
Adjustment for Application of GASB 68	(161,907)	—
Net Assets Held in Trust, Beginning of Year (as adjusted)	190,312,109	166,348,909
Additions		
Contributions (member, employer, State of California, federal government)	6,613,323	5,919,247
Investment Income	7,911,904	30,706,172
Investment Expense	(300,260)	(304,269)
Other Income	3,935	2,055
Total Additions	14,228,902	36,323,205
Deductions		
Benefits and Refunds	12,564,596	12,035,156
Administrative Expenses	145,239	154,155
Other Expenses	8,840	8,787
Total Deductions	12,718,675	12,198,098
Net Increase	1,510,227	24,125,107
Net Assets Held in Trust, End of Year	\$191,822,336	\$190,474,016

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.

On June 24, 2014, Governor Brown signed AB 1469 into law, which was enacted as part of the 2014-15 budget. AB 1469 addresses the CalSTRS Defined Benefit Program unfunded liability and incorporates a detailed funding plan, recognizing the need to ensure the viability of the program. The legislation emphasizes the necessity for shared responsibility among the state, school districts and members to eliminate the unfunded liability by 2046.



Your reward—a secure retirement.
Our reward—getting you there.



Defined Benefit Program

As of June 30, 2015

Membership in 2015

Fiscal Year	2015	2014
Active Members	429,460	420,887
Inactive Members	184,396	182,815
Total	613,856	603,702
Service Retirements	247,353	241,920
Disability Benefits	9,848	9,604
Survivors Benefits	24,899	24,103
Total	282,100	275,627
Total Members and Beneficiaries	895,956	879,329

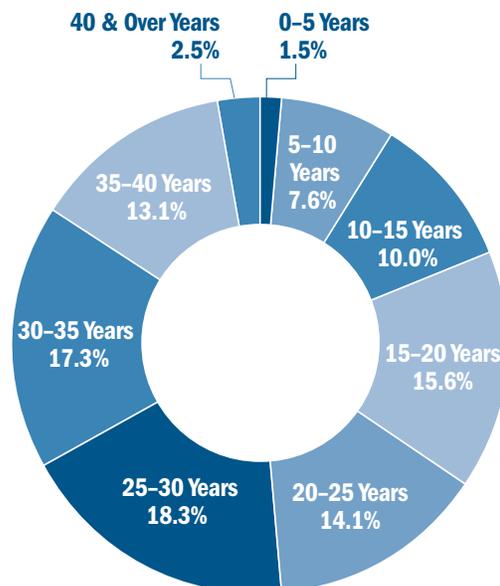
Average Active Member Age and Years of Service

Fiscal Year	2015	2014
Average Age	45.5	45.6
Average Years of Service	12.2	12.3
Average Annual Salary	\$69,597	\$67,276

Members Retiring in 2015

Fiscal Year	2015	2014
Number Retiring	11,278	10,736
Average Age	63.0	62.7
Average Years of Service	24.221	23.819
Average Annual Final Comp	\$84,156	\$81,288
Average Annual Member-Only Benefit	\$49,704	\$47,268

Years of Service at Retirement in 2015

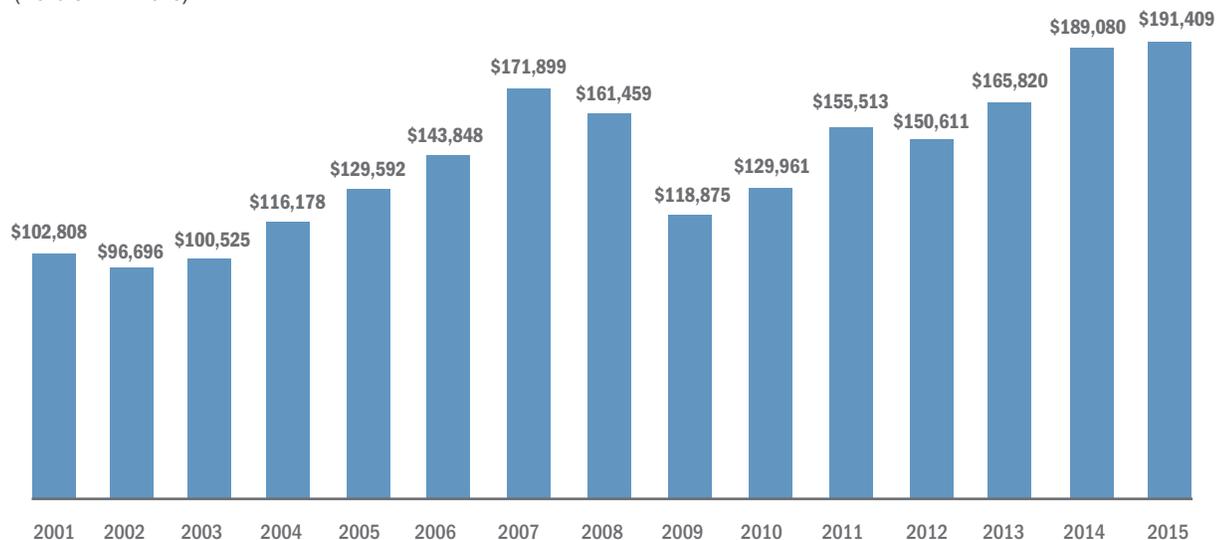


Securing Your Financial Future

Teachers' Retirement Fund Market Value of Investments

As of June 30, 2015

(Dollars in Millions)



Assets of Programs Administered by CalSTRS

As of June 30, 2015

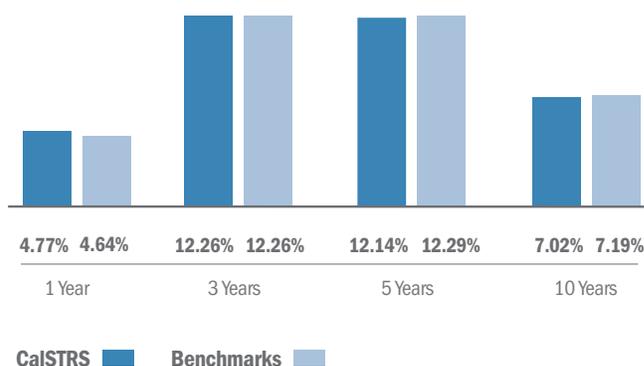
	Market Value	Rate of Return ¹
Defined Benefit Program (in billions)	\$180.05	4.8%
Defined Benefit Supplement Program (in billions)	\$11.09	4.8%
Cash Balance Benefit Program (in millions)	\$273.61	3.0%

¹ One year return calculated on a gross of fees time-weighted return basis.

Portfolio Returns and Benchmarks

As of June 30, 2015

Benchmarks are goals and standards used to measure investment performance.

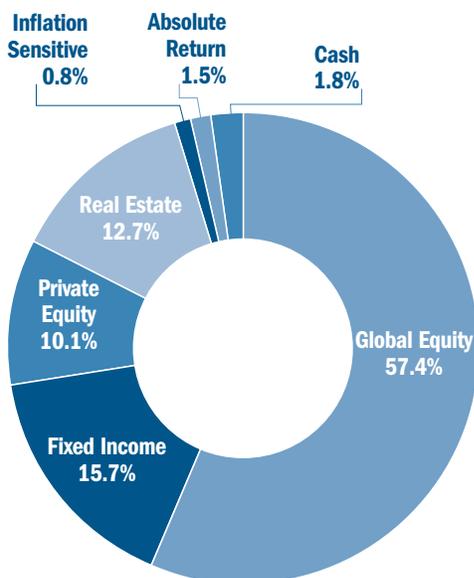


Securing Your Financial Future continued

Teachers' Retirement Fund Asset Allocation

Total Investment Portfolio of \$191.4 billion

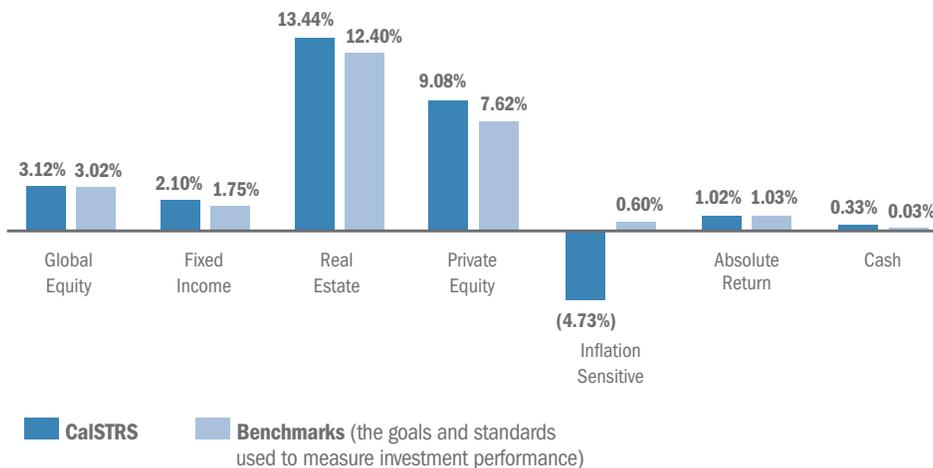
As of June 30, 2015



One-Year Returns

As of June 30, 2015

Calculated using a time-weighted rate of return



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