

Connections

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS



Vote in the Board Election Ballots Due November 30

Board election ballots will be mailed October 1 to eligible Defined Benefit Program members and Cash Balance Benefit Program participants with a valid mailing address on file with CalSTRS. If you are eligible to vote, you have until November 30 to vote by mail, phone or online for three positions on the Teachers' Retirement Board.

The elected board terms run from January 1, 2012, to December 31, 2015, for the following positions representing active members:

- PreK-12 educator who is not an administrator.
- PreK-12 educator who may be an administrator.
- Community college educator.

The board also includes a retired member who is appointed by the Governor.

Candidates

Candidates for the preK-12 (non-administrator) position are:

Tyson "Guy" Moore	Mount Diablo Unified School District
Dana Dillon	Weed Union Elementary School District
Chad Posner	San Juan Unified School District

Candidates for the preK-12 (inclusive) position are:

Vince Rosato	New Haven Unified School District
Harry Keiley	Santa Monica-Malibu Unified School District
Tomas Flores	Los Angeles Unified School District

Candidates for the community college position are:

Sharon Hendricks	Los Angeles Community College District
Phyllis Hall	Long Beach Community College District

Candidate statements are provided in the mailed ballots and at CalSTRS.com.

Voter Eligibility

You are eligible to vote if you are a Defined Benefit member or Cash Balance participant who was employed by a preK-12 school district, county office of education or community college district during the 2010-11 school year between July 1, 2010, and June 30, 2011.

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Plenty of Work Still to Be Done

By Dana Dillon, Teachers' Retirement Board Chair

CalSTRS ended the 2010-11 fiscal year with its investments posting a remarkable 23.1 percent return, the highest in 25 years. It marks back-to-back positive fiscal year returns and boosts the market value of our investment portfolio to \$154.3 billion.

The CalSTRS Investment Portfolio has rebounded by more than \$42.7 billion since March 2009. This is thanks in part to stronger financial markets and the efforts of the Teachers' Retirement Board and CalSTRS staff to position the investment portfolio for continued growth.

Long-Term Investing Like a Marathon

As a patient, long-term investor, CalSTRS is like a marathon runner. Our investment outlook spans many years down the road. Any marathoner will tell you that one good mile does not guarantee a successful race.

Recent history is against us. The recessions that began and ended the 2000s left us with a decade of lost returns from which we're unlikely to recover through investment performance alone.

Our actuary estimates CalSTRS would have to duplicate this past year's impressive performance each year for the next four years to achieve full funding in 30 years. This just can't be reasonably expected given the current state of the global economy.

Investment returns and contributions are the only sources of income to pay benefits. Member, employer and state contribution rates are set by law—changing them requires action by the Legislature and the Governor. With that in mind, we continue to work with our stakeholders to help the Legislature and the Governor develop a strategy that will place CalSTRS on sound financial footing.



CalSTRS Mission:

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

Teachers' Retirement Board

Dana Dillon, *Chair*
Harry Keiley, *Vice-Chair*
Kathy Brugger
John Chiang
Jeryllyn Harris
Bill Lockyer
Ana Matosantos
Beth Rogers
Tom Torlakson
Carolyn Widener

Jack Ehnes
Chief Executive Officer

Christopher J. Ailman
Chief Investment Officer

David Lindgren
Editor

Veronica Espinoza
Designer

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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Sacramento, CA 95851



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CalSTRS Named Investment Manager of the Year

CalSTRS was named Large Public Fund Manager of the Year by *Institutional Investor Magazine*. The magazine recognized CalSTRS at its second annual U.S. Investment Management Awards in May.

Manager award winners were selected by the editors of *Institutional Investor Magazine* based on the results of a survey of U.S. institutional investors as well as their market intelligence and performance data. The magazine has recognized people and companies in the U.S. and around the world for investment performance and professional excellence for more than 30 years.

The Teachers' Retirement Board's Investment Committee oversees and guides the \$150 billion CalSTRS Investment Portfolio. Managing the fund is a staff of 105 professionals with a mix of internal and external investment managers. CalSTRS has gained global recognition for the depth, innovation and quality of its investment operations.

"It's a humbling but well-deserved acknowledgement of the excellent work the investment professionals on our staff do every day to

safeguard the financial security of California's educators," said Christopher Ailman, CalSTRS Chief Investment Officer. "We intend to keep building on that work to continue earning our members' trust through careful, thoughtful and innovative investment management."

“ This award recognizes the quality of the investment team here at CalSTRS and demonstrates to our members, the investment community and the public that we have one of the best investment organizations in the U.S. ”

– Teachers' Retirement Board Investment Committee Chair Harry Keiley

Retirement Progress Reports Available Soon Online

Starting mid-October you can view your *Retirement Progress Report* for fiscal year 2010-11 by logging onto *myCalSTRS* at CalSTRS.com. Paper reports will be mailed in December.

Enhanced Reporting

You'll find we enhanced your online report this year by adding a breakdown of your earnings, contributions, earnable compensation and service credit by employer and by assignment. Now you can view how much you were paid for a particular assignment and how much service credit you earned. You can also

verify your contract rate (earnable compensation) reported by your employer.

Verify Your Information

Does your service credit accurately reflect what you believe you have worked? Be sure to verify the accuracy of the information reported by your employer—you're the check and balance between your employer's reporting and our compilation of data in your name. If you find a discrepancy or have a question, contact your employer.

Purchase Nonqualified Service Credit Now

The more service credit you have at retirement—earned or purchased—the greater your pension will be. Take action now by purchasing nonqualified service credit, also known as “air time.”

You can purchase up to five years of nonqualified service credit if you are a CalSTRS member with at least five years of service credit. It costs less if you purchase service credit early in your career rather than later. However, even if you’re a few years away from retirement, it may still be worthwhile to purchase service credit.

Nonqualified service credit is not connected to any specific prior employment. It cannot be used to qualify for the benefit enhancements of career factor or one-year final compensation, but it can be used to retire as early as age 50 by helping you reach 30 years of service credit.

To purchase nonqualified service credit, complete the *Purchase of Nonqualified Service Credit* form, available at CalSTRS.com/forms and on *myCalSTRS* (select *Complete & Submit Forms*), and mail it to CalSTRS. After we receive your completed form and verify your eligibility, we will mail you a billing statement with the exact cost to purchase additional service credit.

For more information, see the *Purchase Additional Service Credit* brochure, available at CalSTRS.com/publications.

To estimate the cost of purchasing nonqualified service credit, visit CalSTRS.com/calculators.

Home Connection Program CalSTRS to Offer New Home Mortgage Program

The CalSTRS Home Connection Program can help you achieve home ownership. Starting October 1, home loans of up to \$495,187 will be available with only a 5 percent down payment and no mortgage insurance costs. You do not have to be a first-time home buyer to qualify, but you cannot already own another residential property or be a cosigner on a loan for another residential property. Home buyer education is required for first-time home buyers.

Features:

- 30-year term
- 5 percent down payment
- No mortgage insurance required
- Competitive, fixed interest rate
- 80% first mortgage, 15% second mortgage
 - » Second mortgage is fully amortized (no deferral period)
 - » Same interest rate for both first and second mortgages
- Free 60-day rate lock

Visit CalSTRS.com/homeloanprogram or call toll free 866-384-4457 for more information.





Step Up Your Savings

Your CalSTRS retirement consists of three parts: the Defined Benefit Program, the Defined Benefit Supplement Program and Pension2®. Pension2 is a voluntary supplemental savings program.

Supplemental Savings

Your income in retirement is a shared responsibility between CalSTRS and you.

Build supplemental savings through easy payroll deductions. The earlier you start, the higher the rewards will be. Already saving? Consider increasing the amount you set aside each month.

When you contribute directly to a 403(b) or 457 savings plan through a payroll deduction, you defer taxes on the money you contribute. You get more savings for your contribution dollars, and your earnings grow tax-deferred.

Pension2

CalSTRS Pension2 offers 403(b), Roth 403(b) and 457 plans.

Pension2 offers different investment options, such as the Easy Choice Portfolios—designed to match your risk tolerance with your time horizon. Or choose from more than 20 professionally selected investments with the Build Your Own Portfolio option.

TIAA-CREF, a national financial services organization and the leading provider of retirement services in the academic field, is the program's record keeper.

For more information, contact Pension2 at 888-394-2060 or visit Pension2.com.

403bCompare

403bCompare makes selecting investments easier. Find objective, side-by-side comparisons of investment options and fees in one convenient location at 403bCompare.com.

403(b) + 457(b) Information Portal

CalSTRS partnered with bWise Guys, LLC to create the 403(b) + 457(b) Information Portal. This self-navigational website is designed to help you find information about the supplemental savings plans available through your employer. The website includes:

- Information on the basics of 403(b) and 457 plans.
- Required forms to enroll in and contribute to a plan.
- List of approved vendors.
- Savings calculators.
- Database of prescreened registered investment advisors.

Visit the 403(b) + 457(b) Information Portal at yourplan.CalSTRS.com.

Extension of Medicare Premium Payment Program Deferred

The CalSTRS Medicare Premium Payment Program pays the Medicare Part A hospital insurance premiums for eligible retired members who would otherwise be responsible for paying their own monthly premiums.

If you are an educator who started working prior to April 1, 1986, you were not initially subject to the Medicare tax. If you switched employers after that date, or if your employer held a Medicare Division election and you voted “yes,” you began paying the Medicare tax. If you or your spouse paid the Medicare tax for 10 or more years, you most likely qualify for premium-free Medicare Part A on your own.

However, if you don't qualify for premium-free Medicare Part A, and you meet other eligibility criteria, CalSTRS will pay your Part A premium directly to Medicare. The Medicare Part A premium is \$450 per month in 2011. If you are planning to retire in the near future, consider the potential health benefit cost savings if you retire by July 1, 2012.

Extension Deferred Due to Unfunded Liability

Under state law, employer contributions credited to the Teachers' Health Benefits Fund—which supports the Medicare Premium Payment Program—would otherwise have been

credited to the Defined Benefit Program, from which your core benefits such as retirement, disability and survivor benefits are paid.

The Defined Benefit Program is not fully funded, with no plan yet enacted by the Legislature that would ensure full future funding. Any extension of the Medicare Premium Payment Program to those retiring on or after July 1, 2012, would increase the unfunded liability of the Defined Benefit Program. As a result, the Teachers' Retirement Board cannot extend the Medicare Premium Payment Program at this time. However, members who meet the eligibility criteria and retire by July 1, 2012, still qualify.

Future of the Program

During its June meeting, the board directed staff to investigate the funding and legislation that would be required to extend the program to the small remaining population of members who might otherwise be eligible for the Medicare Premium Payment Program. The board will discuss staff's findings in November.

Although the board cannot extend the program at this time, it may elect to extend it in the future. If this happens, the program would become available to those who retire after July 1, 2012, with premiums payable beginning on the date the program is extended.

For More Information

Any updates regarding the Medicare Premium Payment Program, including eligibility tools, updated information and the outcome of the board's discussion, will be posted on CalSTRS.com. Also look for more information in the spring 2012 issue of *Connections*.

Are You Eligible?

To help determine if you're eligible to participate in the Medicare Premium Payment Program, answer the questions on the next page. For more information, use the online eligibility tool available at CalSTRS.com/mppp_tool.

Glendale Member Service Center to Open in January

Los Angeles-area members will soon enjoy greater access to CalSTRS when the Glendale Member Service Center opens this January.

Survey results show that you want more services and training, with locations and hours convenient to you. We listened. The Glendale center fulfills your needs and our mission.

Access CalSTRS Your Way

As an extension of CalSTRS Headquarters in West Sacramento, the Glendale center will be fully staffed by CalSTRS personnel and:

- Be conveniently located for easy access:
 - » 505 North Brand Blvd., Suite 200, Glendale, CA 91203.
 - » Two blocks from the 134 freeway.
 - » Two miles from Interstate 5.
 - » Secure garage with validated parking.
- Deliver CalSTRS products and services:
 - » Individual and group counseling.
 - » Member workshops.
 - » Forms drop-off and review.
 - » Walk-in assistance.
 - » Full array of publications, forms and applications.
- Offer convenient and consistent hours of operation, year-round:
 - » Monday through Friday, 9 a.m. to 5 p.m.
 - » Saturday by appointment.

Ways to contact us remain the same:

- 800-228-5453 (press 3 for scheduling).
- CalSTRS.com/contactus.
- *myCalSTRS* online messaging.

Secure and Sustainable

The Glendale center will be located in a secure, contemporary building that is also LEED (Leadership in Energy and Environmental Design) certified. It reflects the same standards and efficiency with which CalSTRS Headquarters was built and is maintained.

Downey Field Office to Close

With the opening of the Glendale center, the Downey field office located at the Los Angeles County Office of Education will be closing in January.

Watch for more information on CalSTRS.com.



myCalSTRS, Your Online Resource

myCalSTRS is your online resource to access and manage your personal information on file with CalSTRS. myCalSTRS offers the convenience of conducting business online any time.

Go Online, Save Time

With myCalSTRS, you can:

- Access your *Retirement Progress Report*.
- View your account balances.
- Manage your one-time death benefit recipient and beneficiary information.
- Verify eligibility and find forms to purchase service credit.
- Make a preretirement election of an option.
- Update your profile with your preferred contact information.
- Request electronic delivery of newsletters, notifications and statements.
- Ask questions and receive prompt, secure answers.

Retire Online

Fill out and submit your *Service Retirement Application* online with step-by-step instructions.

Online Direct Deposit Statements

CalSTRS is going green with online statements for direct deposit benefit payments. Going online is sustainable and cost efficient. Less paper and postage saves CalSTRS thousands of dollars every month.

Register Today

Start using myCalSTRS today at CalSTRS.com. Registration is easy and provides immediate and secure access.

Join Our Online Community

Visit CalSTRSBenefits.Us to stay connected and learn more about plan funding. Also visit us on Facebook at facebook.com/CalSTRS and Twitter at twitter.com/myCalSTRS.



Complete and Submit Forms Online

Complete and submit CalSTRS forms on myCalSTRS. The benefits of submitting your forms online include:

- Guided instructions.
- Reduced errors.
- Faster processing.

Also, you can follow the status of forms you submit.



We're Committed to Preventing Pension Spiking

By Jack Ehnes, CalSTRS CEO

As I go around the state speaking to teachers groups, I'm starting to get more questions about what CalSTRS is doing to prevent pension spiking. Pension spiking is a serious issue that we've worked long and hard to address.

Comprehensive Anti-Spiking Efforts

We use—and continue to expand—a multi-faceted approach to prevent, detect and correct spiking:

- **Hybrid Plan.** In 2001 we created a hybrid plan structure to ensure contributions on summer school compensation and other extra-pay assignments are credited to a cash balance account and do not figure into final compensation, a factor in setting pension benefits.
- **Automated Review.** Automated programs flag excessive annual salary bumps. We conduct reviews to determine whether the increases were appropriate or not.
- **School District Audits.** Our robust, risk-based school district audit program identifies inconsistent or accelerated pay increases, particularly during an employee's final compensation period. In 2009-10, 50 school district audits identified nearly \$1.7 million in overpaid monthly allowances, currently in various stages of recovery.
- **Plan Design.** CalSTRS plan design is an inherent defense against spiking because compensation for most CalSTRS members adheres to strict salary schedules established through collective bargaining.

In addition, the following new initiatives are now underway to further enhance our anti-spiking efforts:

- **Compensation Review Unit.** A dedicated team tasked with identifying and resolving potential pension spiking cases improves our focus and efficiency in this important area.
- **Pension Abuse Reporting Hotline.** This toll-free hotline enables anyone—the public, CalSTRS members, school district and county office of education employees—to anonymously report suspicions of pension abuse to CalSTRS.
 - » Call 855-844-2468 to speak to CalSTRS staff or leave voicemail 24 hours a day.
 - » An online Pension Abuse Reporting form is available at pensionabusereporting.CalSTRS.com.

Pension Changes Require Care

We take great care to be thorough and deliberate in reviewing any suspected case of spiking before changing a member's pension payment. Our members' due process during these reviews is important because any resulting actions will affect their retirement income for life.

Vote in the Board Election

Ballots Due November 30

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In cases where pension spiking is determined, we reduce benefits to the appropriate level as defined by the California Education Code and collect overpayments in a manner consistent with the law.

Regardless of the amount of a retiree's CalSTRS benefit, we are working hard to ensure the member receives the pension he or she has earned and no more. It's an issue of fairness to all California's educators and to us here at CalSTRS.

Pension Abuse Reporting Hotline

Anonymously report suspicions of pension abuse to CalSTRS.



855-844-2468 (toll free)



pensionabuserreporting.CalSTRS.com

If you qualify to vote and have not received a ballot, please call the toll-free number for election ballot issues at 800-218-4026.

Vote by Mail

Your ballot must be completed and postmarked by November 30 and mailed in the postage-paid return envelope included in the election packet.

Vote Online or by Phone

You may vote online at vres.us/CalSTRS.html or by telephone at 800-254-6210 until 5 p.m. PST on November 30. Online and phone instructions are provided to walk you through the process. You will need your personal identification number printed on your ballot. Remember to confirm your votes.

Election Results

CalSTRS CEO Jack Ehnes will certify the candidates receiving a plurality of votes as elected board members no later than December 21. The results will be posted on CalSTRS.com.

The new board members will be seated on the Teachers' Retirement Board on January 1.

Board Responsibilities

The Teachers' Retirement Board sets policies and makes rules for CalSTRS and is responsible for ensuring that benefits are paid by CalSTRS in accordance with the law.

The board appoints a chief executive officer to administer CalSTRS consistent with the board's policies and rules. The board also selects a chief investment officer to direct the investment of the Teachers' Retirement Fund in accordance with board policy.

The board has eight standing committees: Appeals, Audits and Risk Management, Benefits and Services, Board Governance, Compensation, Corporate Governance, Investment and Legislative.

CalSTRS Resources

WEB	CalSTRS.com Click Contact Us to e-mail 403bCompare.com Pension2.com CalSTRSBenefits.us
CALL	800-228-5453 7 a.m. to 6 p.m. Monday through Friday 866-384-4457 Home Loan Program 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
FAX	916-414-5040

Make Sure Unused Sick Leave Comes With You

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If you change employers in your career, you must request that your former employer transfer your unused sick leave to your new employer in order for it to be included in your service credit at retirement. Additional service credit for accumulated sick leave will be granted at retirement, but CalSTRS will use only unused sick leave reported by your last employer.

Note: New employers are required to accept sick leave from your former employer only during your first year of employment.

For more information about how unused sick leave is converted to service credit at retirement, see the *Member Handbook*, available at CalSTRS.com/publications.

