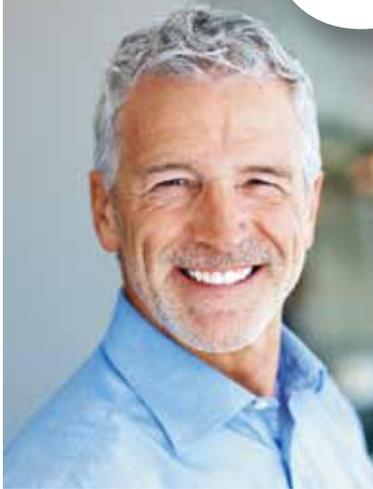


CALSTRS

Connections

REACHING YOUR RETIREMENT

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS



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California Public Employees' Pension Reform Act of 2013

The Governor recently signed into law the California Public Employees' Pension Reform Act of 2013, which implements changes to the structure of public pension plans in California beginning January 1, 2013. Not all of the law's provisions affect CalSTRS members, and some of the provisions apply only to new members.

Current and Future Members

For current and future CalSTRS members, the new law:

- Eliminates the ability to purchase nonqualified service credit, also known as "air time." See the related article on page 3.
- Imposes additional limitations on employment after retirement, including the expansion of the separation-from-service requirement to all members during the first 180 calendar days of retirement. The postretirement employment provisions also apply to recently retired members.
- Requires the loss of benefits if a felony is committed in connection with official duties.

Future Members

For CalSTRS members hired on or after January 1, 2013, the new law:

- Changes the Defined Benefit retirement formula to 2 percent of final compensation per year of service at age 62. The current formula is 2 percent at age 60.
- Eliminates the ability for members with 30 years of service credit to retire as early as age 50. Also eliminates the career factor.
- Extends the final compensation period to three years, regardless of years of service.
- Requires benefits to be based on regular, recurring pay consistent with publicly available pay schedules.
- Establishes a limit of 120 percent of the 2013 Social Security wage base, equal to \$132,120 in 2012, on compensation used to calculate a member's pension.

CalSTRS estimates the total fund savings from the changes to the retirement formula for new members will be \$22.7 billion over 30 years.

Stay informed about pension reform and other issues related to your CalSTRS benefits at CalSTRSbenefits.us.

Advancing a Sustainable Future

By Harry Keiley, Teachers' Retirement Board Vice Chair

Advancing sustainable initiatives and risk management are signature concerns for CalSTRS. An established corporate environment with sustainable values creates a blueprint for better corporate governance, higher integrity and increased returns for our fund.

As the nation's largest teacher pension fund and 11th largest public pension fund in the world, CalSTRS is responsible for the financial future of hundreds of thousands of educators and their families. From a global perspective, a pension fund of this size carries tremendous responsibility—and opportunity.

Ensuring retirement security is the fiduciary duty with which CalSTRS, through our investment policy, is diligently engaged. We recognize the need to protect and grow the assets that educators have entrusted to us. Accomplishing that means being good stewards of the businesses we invest in, with assurance that they too are focused on risks that could impact their long-term value—risks such as natural resource depletion, climate change and water scarcity.

CalSTRS has made a commitment to actively advance the integration of environmental, social and corporate governance, or ESG principles, into our core business practices. For many of the same reasons you would recycle waste materials or reuse grocery bags, businesses can apply these same concepts to their policies and practices.

Our long-term investment strategy also practices patience and dedication in the market. This perspective considers 30-year horizons and focuses on building investment and reinvestment values over time.

Here at CalSTRS, ensuring retirement security means addressing environmental changes and challenges for generations of educators to come.



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.

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Purchase of Nonqualified Service Credit to End

Starting January 1, 2013, the purchase of nonqualified service credit is prohibited under the California Public Employees' Pension Reform Act of 2013. All requests to purchase nonqualified service credit must be received and date stamped by CalSTRS by 5 p.m. on December 31, 2012.

Through the end of this year you can request to purchase up to five years of nonqualified service credit, also known as "air time," if you have earned at least five years of service credit. Nonqualified service credit is not connected to any specific prior employment. It cannot be used to qualify for the career factor or one-year final compensation benefit enhancements, but it can be used to retire as early as age 50 by helping you reach 30 years of service credit.

Estimate the cost of purchasing service credit and the impact to your future benefits at CalSTRS.com/calculators. A CalSTRS benefits counselor can help you calculate costs, estimate the potential increase to your retirement benefit, and determine recovery time. Contact a financial professional for advice regarding your situation.

How to Request a Purchase

To request a purchase of nonqualified service credit, complete the *Purchase of Nonqualified Service Credit* form, available on myCalSTRS (select *Complete & Submit Forms*, then *Purchase Service Credit*) and at CalSTRS.com/forms, and mail it to CalSTRS.

Using myCalSTRS to complete a nonqualified service credit purchase request:

- Provides instant feedback on your eligibility.
- Informs you how much nonqualified service credit you are eligible to purchase.
- Ensures your form is completed correctly.
- Allows more efficient processing.

After we receive your completed form and verify your eligibility, we will mail you a billing statement with the exact cost to purchase the service credit you requested.

December

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If you are interested in purchasing nonqualified service credit, CalSTRS must receive and date stamp your *Purchase of Nonqualified Service Credit* form by 5 p.m. on December 31, 2012.



Changes to Postretirement Earnings Limit

With the passage of Assembly Bill 178 (Chapter 135, Statutes of 2012), the postretirement earnings limit increased from \$31,020 to \$40,011 for the 2012–13 fiscal year, adjusted annually based on 50 percent of the final compensation for recently retired members.

The new law also extends and expands a very narrow exemption from the earnings limit, excludes employees of a third party from the earnings limit under very limited circumstances, and allows retired members to reinstate and re-retire within the same year.

Postretirement Earnings Limit Exemption

One very narrow earnings limit exemption is available for fiscal years 2012–13 and 2013–14 only. The exemption is for specific appointments made by the State Superintendent of Public Instruction, the State Board of Education, the Board of Governors of the California Community Colleges, or a county superintendent of schools to assist schools in financial or academic distress. Before you can start work, the appointing authority must submit the required documentation to CalSTRS substantiating your eligibility for an exemption.

There are no other exemptions to the earnings limit.

Exclusion for Certain Third-Party Employers

Retired members who work for third-party employers that do not participate in a California public pension system may be excluded from the postretirement earnings limit and other postretirement employment requirements if the activities performed are not normally performed by employees of a school district and the activities are performed for a limited term.

Reinstatement Changes

Effective July 17, 2012, members who terminate their retirement and want to reinstate may re-retire within the same year. However, reinstating members must keep the same retirement option and beneficiaries—or keep their unmodified election—for one year.

Note: The postretirement earnings limit is different from the earnings limits for members receiving disability benefits. For more information, see “Your Disability Benefits” in the *Member Handbook*, available at CalSTRS.com/publications.

The California Public Employees’ Pension Reform Act of 2013 expands the separation-from-service requirement to all members during the first 180 calendar days after retirement. For more information about pension reform, see page 1.

2011–12 Retirement Progress Report Available Online

Your *Retirement Progress Report* for the 2011–12 fiscal year is now available online using your *myCalSTRS* account.

Benefits of Accessing Your Report Online

Accessing your *Retirement Progress Report* online is:

- **Faster**—Review your *Retirement Progress Report* online as soon as it is available in September. Printed reports mail in October.
- **Enhanced**—Your electronic *Retirement Progress Report* looks just like your mailed one. Additionally, you can view a breakdown of your earnings, contributions, earnable compensation and service credit by employer and by assignment.
- **Secure**—State-of-the-art technology protects your data.
- **Convenient**—Access your CalSTRS account any time, anywhere.
- **Informative**—Elect to receive an email notification when your report is available to view. You must set this as your preference on *myCalSTRS*.

How to Access Your Report Online

To view or print your *Retirement Progress Report* online:

- Log in to your *myCalSTRS* account at CalSTRS.com.
- Select *View Your Retirement Progress Report*.
- Select the correct year and account type.

Be green. If you wish to receive your *Retirement Progress Report* online only and no longer receive it by mail:

- Log in to your *myCalSTRS* account at CalSTRS.com.
- Select *View Your Retirement Progress Report*.
- Select *Your Preferences*.
- Check the *Retirement Progress Report* box.

Verify Your Information

When you review your *Retirement Progress Report*, take a few minutes to verify that the information is accurate. The facts and figures, such as your years of service credit, will ultimately be used to calculate your retirement benefit. An error now could mean a delay in correctly calculating your retirement benefit later.

If you find a discrepancy or have a question, contact your employer. We receive information about you from your employer, so your employer is the only one who can correct what has been reported to us.

