



WINTER 2009

# RETIRED Educator

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

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## Mark Your Calendar!

**Audio Town Hall Meeting**  
**Thursday, April 30**  
See back page for details.

## CalSTRS Responds: Putting the Current Market in Perspective

**A**t CalSTRS, we take our responsibility for managing your money very seriously. We want to reassure you that your retirement benefit is secure and not dependent on the value of the CalSTRS portfolio. Working with educators, school employers and the Legislature, we have created one of the best-run retirement funds in the world.

### CalSTRS Strengths

While investing involves risk, as a patient, long-term investor, our strategies have provided growth over time. We have successfully weathered financial turmoil before. Our portfolio is built to ride out the shocks of down markets, even in times as historic as these.

### Poised for the Recovery

Despite the challenging global economic environment, our investment professionals continue to adapt and respond to the complexity of the CalSTRS portfolio, working with some of the world's best money managers. CalSTRS assets are diversified and invested in U.S. stocks, international stocks, bonds and other fixed income securities, real estate and private equity worldwide.

As part of our disciplined approach, we are:

- Staying focused on our long-term goals by maintaining our broadly diversified portfolio.
- Preserving cash and other safe investments where we can.
- Expanding our asset class ranges.
- Offering mortgages to teachers.
- Seeking opportunities for well-priced investments.

History shows every sharp market decline is followed by a sharp recovery. We are poised to take advantage of the inevitable upturn.

Protecting the Teachers' Retirement Fund and serving our members remain our top priorities.

# A Bright Spot: Purchasing Power Protection Increases



By Dana Dillon  
Chair, Teachers' Retirement Board

Amid all the tough economic news, there is a bright spot: Thanks to recent legislation, supplemental benefits now begin when your monthly payment drops below 85 percent of its original purchasing power.

## Consistent Standard of Living

You and your survivors collect these additional benefits when inflation erodes the purchasing power of your monthly benefit by at least 15 percent.

If you retired in 1994 or earlier, you are now receiving quarterly supplemental benefits which restore the purchasing value of your initial retirement benefit up to 85 percent.

Supplemental benefits are calculated each September and are paid quarterly, starting in October.

## Legislative Authority to Adjust

Governor Schwarzenegger signed Assembly Bill 1389 in September 2008 (Chapter 751, Statutes of 2008), increasing the minimum purchasing power from 80 percent up to 85 percent. The law became effective July 1, 2008. The law also gives the Teachers' Retirement Board the authority to adjust the benefit between 80 percent and 85 percent.

The purchasing power level of your retirement benefit is determined by the change in the All Urban California Consumer

Price Index. This figure, published by the Department of Industrial Relations, Bureau of Labor Statistics, is adjusted annually.

Supplemental benefits are funded by the Supplemental Benefit Maintenance Account and School Lands Revenue.

As you recall, the state's General Fund contribution to the SBMA was reduced by \$500 million in fiscal year 2003-04 in an attempt to address California's budget crisis. CalSTRS pursued litigation, claiming that the state had a contractual obligation to make the contribution. CalSTRS prevailed and received its \$500 million in September 2007. The court also awarded interest, which is being paid as part of the approval of the 2008-09 state budget.

If you have questions about your supplemental payments, please call CalSTRS at 800-228-5453 or e-mail us at [www.CalSTRS.com/contactus](http://www.CalSTRS.com/contactus).

**CalSTRS Mission:**  
Securing the financial future and sustaining the trust of California's educators

### Teachers' Retirement Board

Dana Dillon, *Chair*  
Jerilyn Harris, *Vice-Chair*

Kathy Brugger  
John Chiang

Michael Genest

Harry Keiley

Roger Kozberg

Bill Lockyer

Jack O'Connell

Peter Reinke

Beth Rogers

Carolyn Widener

Jack Ehnes  
*Chief Executive Officer*

Christopher J. Ailman  
*Chief Investment Officer*

Christiana Mullen  
*Editor*

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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Sacramento, CA 95851



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## Under the Dome New Laws Bring Changes to CalSTRS Benefits

The flurry of bills the Governor signed in fall 2008 included a handful that bring enhanced benefits and services for CalSTRS members, as well as two that help to curb fraud.

Recent changes follow:

- Purchasing power benefit is increased.**  
 A new law increases the Supplemental Benefit Maintenance Account purchasing power benefit to 85 percent. It also gives the Teachers' Retirement Board the authority to adjust the benefit between 80 percent to 85 percent based on actuarial projections. (See [related story](#) on page 2.) *Assembly Bill 1389 (Committee on Budget), Chapter 751, Statutes of 2008*
- Post-retirement work exemptions are extended; new opportunity for recent retirees to purchase foreign service credit.**  
 The current exemptions for working after retirement have been extended until June 30, 2010. In addition, CalSTRS members who retired between June 1, 2007, and December 31, 2007, may purchase service credit for service performed in a foreign school that provided education comparable to K-12 grades. Those members who retired during the six-month window have until June 30, 2009, to submit their *Out-of-State Service or Foreign School Credit Certification* form. *Assembly Bill 2390 (Karnette), Chapter 494, Statutes of 2008*
- Roth IRAs are added to CalSTRS Pension2.**  
 CalSTRS can offer a Roth IRA to members as part of its CalSTRS Pension2 personal wealth plan in order to receive Roth 403(b) assets. Federal law requires holders of Roth 403(b) accounts to accept an annual minimum distribution starting at age 70½. *Assembly Bill 1480 (Mendoza), Chapter 432, Statutes of 2008*

continued on page 11

## CalSTRS By the Numbers

Averages for All  
Retired Members

64%  
of you are women

your age now  
72 years old

You are  
11 years  
into retirement

Almost 29 years  
as an educator

61 years  
old  
your age  
at retirement

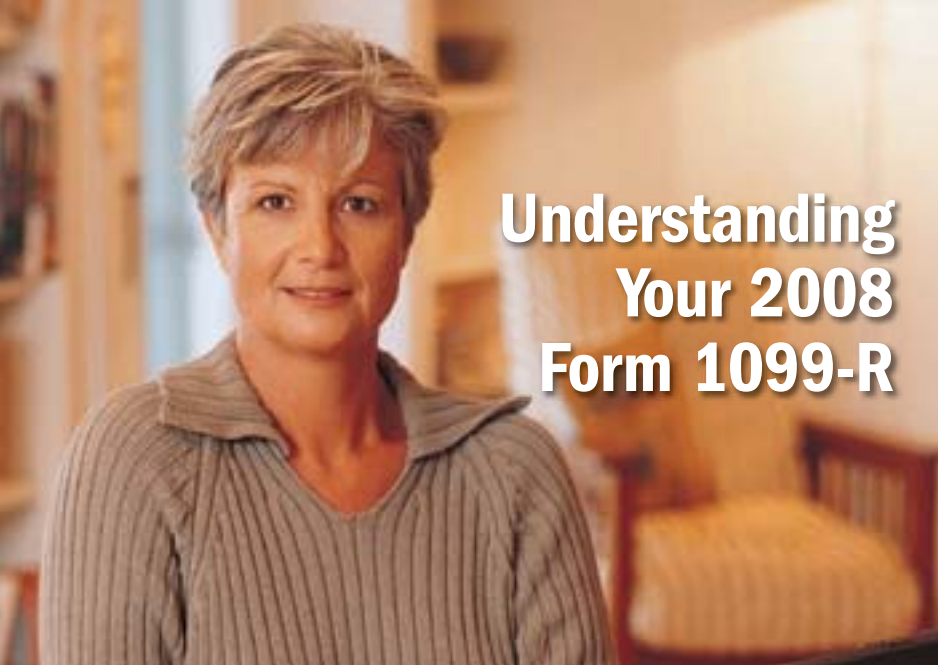
how long you are expected  
to live after retirement  
27 years

62%  
how much your retirement  
benefit replaces salary

### Our Fresh New Design

With this issue we introduce our new look for *Retired Educator*. Inside you will find familiar features in a contemporary layout, with new design elements that make the articles easier to read.

We hope you enjoy the redesign.



# Understanding Your 2008 Form 1099-R

**B**y now you should have received your Form 1099-R for tax year 2008 in the mail. Your 1099-R includes all payments CalSTRS made to you in 2008. You will need this form to complete your 2008 tax return.

In addition, a small number of retired members also received W2 forms for the portion of their retirement benefit that exceeds the annual limit set by the Internal Revenue Code Section 415(b).

The following questions and answers will help you read and understand your form.

## HAVE A NEW ADDRESS?

### Keep Your Information Up to Date

Moved recently? Newly married, registered as a domestic partner or divorced? Make sure CalSTRS has your current legal name, mailing address and telephone number to avoid delays in benefits or communications. In addition, be sure your beneficiary forms are up to date.

To update your personal information, you may e-mail us at [www.CalSTRS.com/contactus](http://www.CalSTRS.com/contactus) or call us at 800-228-5453. You can also submit an address change using the *Address Change Request* form available at [www.CalSTRS.com](http://www.CalSTRS.com) (select *Forms and Publications*).



### What payments are included on your 1099-R?

Your form lists the total amounts CalSTRS paid you in 2008—payments issued from January 1, 2008, through December 31, 2008—regardless of the month in which you earned the funds.

### What if you receive a letter from CalSTRS regarding your tax information?

Members occasionally receive an overpayment of their monthly CalSTRS benefits that they must pay back. When the overpayment and repayment occurred will determine how we handle this situation.

Repaying funds that were reported as income in a previous tax year may mean that you can recover taxes you paid on that income. If you make a repayment of a previous year's overpayment, we will usually send you a letter acknowledging your repayment, along with your Form 1099-R. For example, if you received an overpayment in 2007 and you repaid us in 2008, you will receive a letter from us acknowledging the repayment. Please keep this letter for your 2008 tax return.

If you received an overpayment in 2008 and repaid it in 2008, the Gross Distribution box on your 1099-R, showing the total amount you received last year, will be adjusted accordingly, so you will not receive a letter from us.

For more information, please refer to IRS Publication 525, *Taxable and Nontaxable Income*, available at [www.irs.gov](http://www.irs.gov).

### What if you did not receive your 1099-R?

If you did not receive your Form 1099-R for 2008, you can print a duplicate from *myCalSTRS* at [www.CalSTRS.com](http://www.CalSTRS.com). You may also call, fax or e-mail us to request a copy.

### What if you do not understand your form?

You can turn to CalSTRS, the California Franchise Tax Board and the IRS for help. To start, you will find descriptions for all of the boxes on the back of your 1099-R. You will also find helpful information at [www.CalSTRS.com](http://www.CalSTRS.com) (select *Members*, then *How to Read Your Form 1099-R*, or select *FAQ* under *Tools*, then *Form 1099-R*.) You can also call or e-mail us.

To reach the Franchise Tax Board, go online to [www.ftb.ca.gov](http://www.ftb.ca.gov) or call 800-852-5711. If you have questions for the IRS, visit [www.irs.gov](http://www.irs.gov) or call 800-829-1040. You will find links to both the FTB and IRS sites at [www.CalSTRS.com](http://www.CalSTRS.com) (select *Members*, then *How to Read Your Form 1099-R*).

## Looking to Roll Over or Transfer Your TSA or 457 Account? Consider CalSTRS Pension2

If you still have a tax-sheltered annuity (also known as a 403(b) account) or a 457 account with your last school or district employer, you may be able to roll over or transfer your funds to CalSTRS Pension2 personal wealth plan.

To be eligible, CalSTRS Pension2 must be part of your last employer's retirement plan at the time you retired. Remember, you are still a part of your employer's sponsored plan even though you are retired.

With CalSTRS Pension2, you can roll over your 403(b), 457 or Cash Balance accounts into funds selected by our investment professionals.

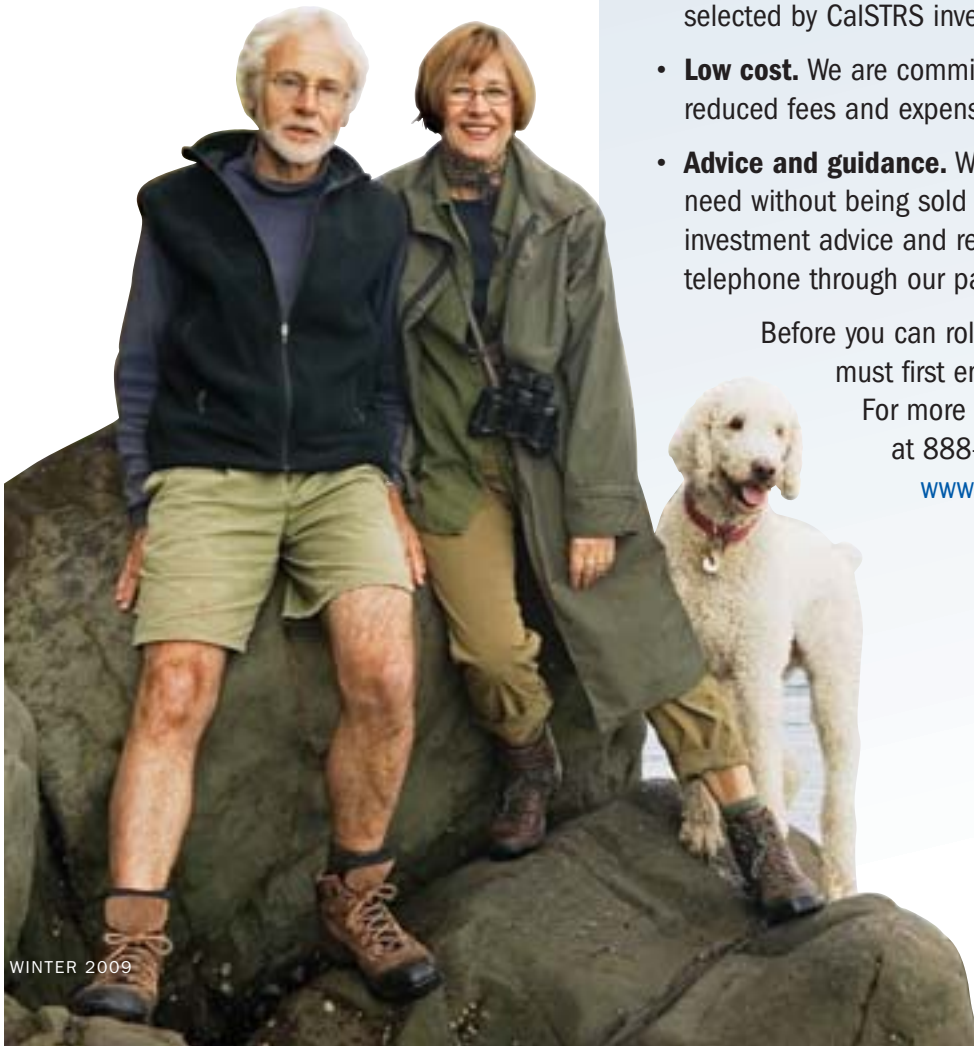
### We invite you to learn more about CalSTRS Pension2:

- **Choices that match your goals.** CalSTRS Easy Choice Retired Portfolios take into account your tolerance for risk and retirement status. You also have the option to build your own portfolio with low-cost, flexible funds that have been carefully selected by CalSTRS investment professionals.
- **Low cost.** We are committed to keeping costs low, with reduced fees and expenses.
- **Advice and guidance.** We want you to get the information you need without being sold a particular product. We also offer investment advice and recommendations free of charge by telephone through our partnership with TIAA-CREF.

Before you can roll over your funds, you must first enroll in CalSTRS Pension2.

For more information, call us toll free at 888-394-2060 or visit

[www.CalSTRS.com/Pension2](http://www.CalSTRS.com/Pension2).



## HOW TO REACH US

While CalSTRS headquarters will have a new street address this summer, our mailing address and telephone number will not be changing. The best way to reach us is still by telephone, e-mail or regular mail, using our P.O. box.

### Write Us

Our mailing address remains the same:

CalSTRS  
P.O. Box 15275  
Sacramento, CA 95851-0275

### Call Us

Call our Call Center toll free at 800-228-5453 from 7 a.m. to 6 p.m. Monday through Friday.

### E-Mail Us

E-mail us from your *myCalSTRS* account or at [www.CalSTRS.com/contactus](http://www.CalSTRS.com/contactus).

### Visit Us

We have 29 benefits counseling offices statewide. To find the office nearest you, visit [www.CalSTRS.com](http://www.CalSTRS.com) (select *Members*, then *Benefit Counseling Services*). Our member services center will be opening its doors at the new CalSTRS headquarters on Monday, June 22:

CalSTRS Member Services  
100 Waterfront Place  
West Sacramento, CA 95605

The best way to reach us is by **telephone**, **e-mail** or **regular mail**, using our **P.O. box**.

# CalSTRS Brings Member Center to New Headquarters An Investment for the Long-Term

**C**alSTRS moves to its new headquarters in West Sacramento this summer. The move will allow us to better serve you with a dedicated member services center, workshop and counseling rooms, and a board meeting facility just a few blocks from the State Capitol.

## Reflects Smart Investment

The building's location along the Sacramento River provided the opportunity to invest in a redevelopment area with future economic potential. More than five years from planning to construction completion, the new facility allows us to develop space that fits current and emerging member needs. The land purchase includes additional property for future office expansion and to develop residential housing when the market recovers.

Smart project management during the construction process is expected to save more than \$13 million and ensure the building is completed on schedule.

## Reflects Commitment to Sustainability

In line with our commitment to sustainability, the 15-story structure is environmentally friendly and features green initiatives in architecture, construction and interior design. Thanks to careful planning, the building will be registered to receive the Gold Certificate in Leadership in Energy and Environmental Design,



or LEED®, designation, one of the U.S. Green Building Council's top recognitions for new construction.

Among the building's green design features are:

- Water-saving fixtures and landscaping
- Efficient lighting and diffusion of sunlight
- Window glazing
- Recycled materials for construction and contents
- Control of heat and air flow at work stations
- Recycling of construction waste

Additionally, the glass-and-steel building is oriented on an east-west footprint to capture natural light and for energy efficiency. The building's energy-efficient features will save more than \$145,000 a year in electricity costs alone.

Our phased-in move is scheduled to start June 19, with no interruption in customer service. We expect to have everyone working for you from our new location by July 3.

## Expanded Member Services

**C**alSTRS new headquarters will feature one-stop front counter service to assist you when you walk in with your questions and other needs.

Whether you are looking for help completing a form, have questions about a letter you received from us or simply want to drop off forms, our trained team of customer service representatives can help—no appointment needed.

The first floor counter will be open from 7 a.m. to 6 p.m. Monday through Friday to serve active and retired members in the greater Sacramento area. We will be offering our one-hour benefits counseling session and our Retirement Income Management Workshop onsite by appointment.

If you plan to visit us this summer, keep our move in mind. Starting June 22, we will be serving you from our new West Sacramento headquarters at 100 Waterfront Place.

As always, you can call us at 800-228-5453, e-mail us at [www.CalSTRS.com/contactus](http://www.CalSTRS.com/contactus) or visit one of our benefits counseling offices located across the state.



## Live green

### Your newsletter right to your inbox.

Sign up at *myCalSTRS* to receive *Retired Educator* online and we will e-mail it right to your desktop. You will get the same news as the print version, and you will be helping us cut down on paper use and postage costs.

Here's how to sign up:

- If you are already registered on *myCalSTRS*, simply log in, go to *Preferences* and make sure the box across from *Receive Semiannual Retired Educator/CalSTRS Connections Newsletters* is checked. Then select *Update*.
- If you are not yet registered on *myCalSTRS*, create a new account today at [www.CalSTRS.com](http://www.CalSTRS.com).

### GREEN TIP:

Interested in ways to reduce the amount of junk mail you receive? Check out the California Integrated Waste Management Board's page on the Web at [www.ciwmb.ca.gov/WPW/home/junkmail.htm](http://www.ciwmb.ca.gov/WPW/home/junkmail.htm). Besides giving your mail carrier a break, you will be saving landfill space and conserving natural resources.

# Ask CalSTRS

## Protecting your financial information, returning to work

### PROTECT YOUR IDENTITY

Here are five tips to help protect against identity theft:

- Keep all your passwords, including your *myCalSTRS* password, PINs and Social Security number confidential and in a safe place.
- Never trust or respond to any e-mail you may get purporting to be from your bank or other financial institution, even if it looks official.
- Visit [www.optoutprescreen.com](http://www.optoutprescreen.com) or call toll free 888-5-OPT-OUT (888-567-8688) to remove your name from preapproved credit card offers that come by mail.
- Check your credit report at least every six months. Look for unfamiliar accounts or wrong addresses. Request your free report online at [www.annualcreditreport.com](http://www.annualcreditreport.com). You can get one free report a year from each of the three major credit reporting agencies.
- Before recycling or donating your old computer or cell phone, be sure to destroy any stored information about you first.

Learn more at [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft).



### How can I ensure my CalSTRS account information stays safe?

Safeguarding your financial information and protecting you against identity theft are top priorities for us.

Our Call Center has a three-step verification process to make sure we are really talking to you. In addition, a CalSTRS benefits counselor will never call and ask you about your financial information, nor will we ask for your personal information in an unsolicited e-mail. And we will never make a home visit to ask questions about your account. If you ever receive such a call or visit, do not give out any personal or confidential information. Instead, please inform us of the potential fraud.

On your end, be sure to keep your *myCalSTRS* password confidential so that no one can access your information without your knowledge or consent.

### Can I end my retirement and go back to work?

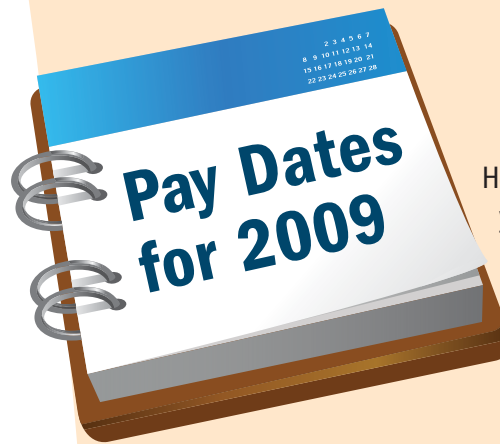
You may voluntarily end your retirement and reinstate to active membership any time after retiring by submitting the *Reinstatement After Retirement* form. Before you make this important decision, learn how reinstatement could affect your present and future retirement benefits by making an appointment with a CalSTRS benefits counselor.

If you wish to reinstate, we must receive your signed *Reinstatement After Retirement* form no later than the last day of the month you reinstate. For example, if you want your retirement to end as of

July 15, 2010, we must receive your form no later than July 31, 2010.

If you change your mind and decide to remain retired, you may cancel your reinstatement application as long as we receive your request by the last day of the month you wanted to end your retirement. Otherwise, you will have to wait 12 months to retire again. You can submit your subsequent retirement application as early as six months before your new benefit effective date.

To obtain a copy of the *Reinstatement After Retirement* form and find a benefits counseling office near you, visit us at [www.CalSTRS.com](http://www.CalSTRS.com) or call 800-228-5453. You can also find information about reinstatement and benefits counseling in the *Member Handbook*.



Here are the dates when your benefit check should be available electronically at your bank or arrive in your mailbox.

#### **2009 Pay Dates**

- January 30
- February 27
- April 1
- May 1
- June 1
- July 1
- July 31
- September 1
- October 1
- October 30
- December 1

#### **2009 Supplemental Benefit Pay Dates**

- April 1
- July 1
- October 1

Your last checks for 2009 benefits will be paid January 4, 2010.

## Keep Connected Online With *myCalSTRS*

Using our secure online member Web site, *myCalSTRS* at [www.CalSTRS.com](http://www.CalSTRS.com), you can get information about your CalSTRS accounts anytime, day or night.

#### *With myCalSTRS, you can:*

- Ask questions about your accounts and receive prompt, confidential answers
- View and print your 1099-R forms and benefit payment stubs
- See your beneficiary information
- Change your e-mail address

#### *Coming this fall, more improvements will make it easier to:*

- Update your mailing address and telephone number
- Make changes to your state and federal tax withholding preferences
- Sign up for direct deposit

If you haven't already registered for *myCalSTRS*, sign up today by going to [www.CalSTRS.com](http://www.CalSTRS.com) and following the simple instructions.



# Defined Benefit Plans Make Sound Financial Sense Your Retirement Benefit is Well-Managed and Cost-Efficient

By Jack Ehnes, CalSTRS CEO

**D**efined benefit plans, like yours with CalSTRS, can deliver the same level of retirement income to groups of employees at close to half the costs of individual 401(k) or 401(k)-like plans, according to a new report from the National Institute on Retirement Security.

The report comes at a time when the number of companies freezing or closing their defined benefit plans is growing. According to Watson Wyatt Worldwide, a financial management firm, 40 percent of Fortune 1000 plan sponsors in 2008 had at least one defined benefit plan that was either frozen or closed to new hires—up from 32 percent the previous year.

## Defined Benefit Plans Are More Efficient

*A Better Bang for the Buck: The Economic Efficiencies of Defined Benefit Pension Plans*, released in August 2008, finds that group-based defined benefit plans can deliver the same retirement income for 46 percent less cost than individual defined contribution accounts. Defined benefit plans are more efficient since they “stretch taxpayer, employer or employee dollars further in achieving any given level of retirement income.”

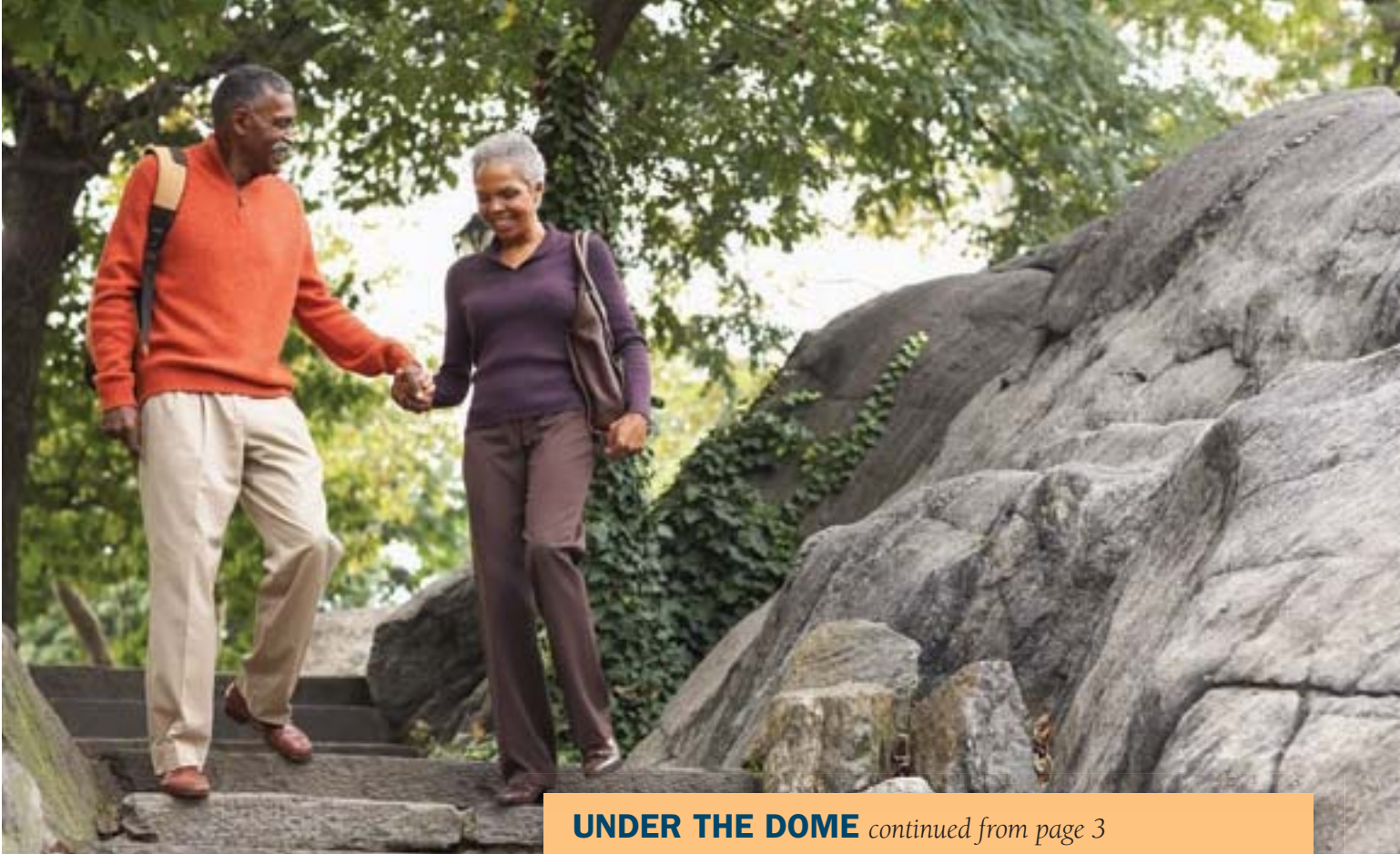
## Three Main Strengths Quantified

In a comparison of defined benefit and defined contribution plans, the report pinpoints three ways employers deliver the same target retirement benefit more efficiently through defined benefit plans. The study further quantifies what we at CalSTRS have known all along—that defined benefit plans are more economical and efficient than their defined contribution counterparts.

Here are the three strengths of defined benefit plans and the percent in savings each contributes:

1. Defined benefit plans pool the risks of large numbers of people, avoiding the problem of “over-saving.” Unlike defined contribution accounts, defined benefit plans have to save only enough to be able to pay out for the average life expectancy of the group. On the other hand, an individual must have enough savings for his or her own life expectancy. The difference results in a 15 percent cost savings.
2. Defined benefit plans eliminate the worry about converting savings to cash or switching to more conservative investments as retirement nears. Instead, defined benefit plans can perpetually maintain a balanced

Defined benefit plans are more efficient since they “stretch taxpayer, employer or employee dollars further in achieving any given level of retirement income.”



## UNDER THE DOME *continued from page 3*

portfolio to create optimum returns. Individual accounts must eventually move from an accumulation mode to a spend mode. This difference yields a 5 percent cost savings.

3. Defined benefit plans achieve greater investment returns because they are professionally managed and pay lower fees due to their size. This results in a 26 percent costs savings.

Teachers in West Virginia learned the value of defined benefit plans the hard way. More than 17 years ago, West Virginia educators voted to move from their guaranteed retirement plan to individual retirement accounts. When many of their nest eggs fell short, the school employees appealed to the state's lawmakers who cleared the way for them to switch back to their traditional defined benefit plan. In July 2008, nearly 80 percent of teachers jumped at the opportunity to do so.

You can find the full report online at [www.nirsonline.org](http://www.nirsonline.org).

- **Community college part-time educators can teach more hours.**  
California Community Colleges can hire temporary part-time employees to teach up to 67 percent of the hours per week that constitute a regular, full-time assignment, an increase from 60 percent. *Assembly Bill 591 (Dymally), Chapter 84, Statutes of 2008*
- **Making false statements on benefit applications is now a crime.**  
It is now a crime to make false material statements when applying for CalSTRS benefits or accepting benefit payments for which one is not entitled. *Assembly Bill 1844 (Hernandez), Chapter 751, Statutes of 2008*
- **Financial advisors face stiffer regulations.**  
A new law makes it harder for unscrupulous financial advisors to win the confidence of California's growing elderly population by regulating the use of "expertise" designations. It also requires advisers to take training courses before claiming special knowledge in the financial needs of seniors. *Assembly Bill 2149 (Berg), Chapter 476, Statutes of 2008*

For more information on these new laws or key bills introduced during the current legislative session, visit [www.CalSTRS.com/legislation](http://www.CalSTRS.com/legislation).

**CalSTRS Resources**

WEB SITES	www.CalSTRS.com Click <i>Contact Us</i> to e-mail www.403bCompare.com
CALL	800-228-5453 7 a.m. to 6 p.m. TTY 916-229-3541
WRITE	CalSTRS P.O. Box 15275 Sacramento, CA 95851-0275
VISIT	Member Services 7919 Folsom Boulevard Sacramento, CA 95826 <i>(until June 19, 2009)</i> Member Services 100 Waterfront Place West Sacramento, CA 95605 <i>(starting June 22, 2009)</i>
FAX	916-229-3879

**MARK YOUR CALENDAR FOR APRIL 30 TO CALL AND LISTEN IN**

## CalSTRS Audio Town Hall Meeting: *The Economy, CalSTRS Portfolio and You*

Worried about the economic downturn? The state budget crisis?  
Wondering if your retirement benefit really is secure?

You are invited to listen to a presentation by CalSTRS CEO Jack Ehnes and Deputy Chief Executive Officer Peggy Plett from your own home telephone on Thursday, April 30 from 10 a.m. to 11 a.m (Pacific time).

The focus will be on the challenging financial climate, our fund and you. A question and answer period will follow.

Here is how you can participate:

1. On Thursday, April 30 at 10 a.m., call toll free 800-260-0702.
2. When asked, key in the following participant code: 986912.
3. You may be placed on hold with music until the presentation begins at 10:15 a.m.

We hope you will be able to join us.

