

RETIREMENT COMMITTEE

Maggie Ellis, Chairperson
Denise Bradford, Vice Chairperson
Dana Dillon, Board Liaison
Rose Luna-Nuñez, Co-Consultant
Mark Young, Co-Consultant
Jennifer Baker, Legislative Advocate

MAJOR POLICY – Immediate Action (2/3 vote required)

None

Rationale:

MAJOR POLICY - First Reading

None

Rationale:

OTHER ITEMS FOR IMMEDIATE ACTION

None

Rationale:

REFERRALS TO THE BOARD OF DIRECTORS

- A. That CTA engage Governor Brown encouraging him to fill the remaining appointed seats to the CalSTRS Board; giving consideration to diversity of gender, ethnicity, age and professional background other than just the financial sector.
- B. In response to the referral from the Board to help members easily sign up for Medicare:

The committee recommends that an article be published annually in the Educator, updated on the CTA website, and through CTA/NEA Retired publications on how to enroll in Medicare.

INFORMATIONAL ITEMS

- 1. The fiscal year returns ending June 30th, 2013 are reported as: CalSTRS 13.8% and CalPERS 12.5%.

2. The Committee established and affirmed the goals and objectives for the 2013 - 2014 year:
 - Defend, Maintain and Protect the CalSTRS/CalPERS Defined Benefit Plans,
 - Repeal the WEP and GPO Social Security Offsets
 - Actively oppose any efforts to change from a Defined Benefit to a Defined Contribution Plan
 - Provide Medical, Dental and Vision Care for retirees

3. The Committee received a presentation from Gary Waayers, CTA member and founder of California Teachers for Fossil Fuel Divestment, on the possibility of supporting a request that CalSTRS divest from fossil fuels holdings and production. The Committee will work with CalSTRS CIO, Chris Ailman, to schedule a divestment education presentation during a future council.

4. The Committee received information and discussed the recently filed anti-public pension initiative, the Pension Reform Act of 2014, and the potential ramifications should it qualify and be placed on the ballot. We must fight and oppose progression of this initiative at all opportunities.

5. GASB - Please be sure to communicate to local leadership that there will be changes on district financial statements to include a proportional amount of the CalSTRS Unfunded Liability. CalSTRS is providing training for district personnel and will also educate local leadership. There is more information on the www.calstrs.com website or go directly to the www.gasb.org website.

6. CTA/NEA Retired continues to advocate for changes in the Social Security Offsets (GPO and WEP.) Use the www.nea.org/socialsecurity for legislative updates.

7. CalSTRS offers a variety of counseling sessions. Check with local CalSTRS offices about arranging for counselors to come to your local to provide workshops or group sessions. As an activity for locals, retirement education may provide a great opportunity to pull our members together.

8. PROTECTING YOUR FUTURE – Become a CTA/NEA –Retired/Pre-Retired Life member. Lifetime dues are \$450, don't wait, join now! Annual dues are \$60. Come by the CTA/NEA-Retired table and pick up an enrollment form.

9. The Retirement Committee recommends that members use the NEA publication, *The Characteristics of Large Public Education Pension Plans*. The document can be found at www.nea.org/home/30068.htm and used to gather comparative pension information from around the country.

10. Websites to access retirement information include: www.CALSTRS.com www.mycalstrs.com www.cta.org www.leginfo.ca.gov www.CALPERS.ca.gov www.nea.org www.ctainvest.org www.nirsonline.org www.ssfairness.com



Pension Reform Act of 2014

Fast Facts

From the Retirement Committee

This proposed initiative has been submitted to the Attorney General for title and summary by Mayor Chuck Reed of San Jose and a cadre of mayors. The proposed initiative may be eligible for signature gathering soon.

This initiative amends the California Constitution to:

- Allow government employers and voters to modify both pension and retiree healthcare benefits as well as to increase employee contributions in future collective bargaining agreement for future years of service. Previously performed service will not be impacted.
- If the government employer and employees do not reach an agreement during collective bargaining within 180 days, the government employer may unilaterally implement their desired actions.
- Opens the door to challenge the legal precedent protecting vested benefits earned by current employees.
- Allows the terms of a pension or retiree healthcare benefit to be amended for future service through a collective bargaining agreement, legislative action, an initiative, referendum or other ballot measure.
- “Government employer” means the state or political subdivision of the state, including: counties, cities, charter counties, charter cities, charter city and counties, school districts, special districts, boards, commissions, the Regents of the University of California, and the California State University. The Legislature is deemed the government employer for members of the CalSTRS system.
- The initiative prohibits all future voters and Legislature, through the use of any local or legislative democratic process, from making any changes that would impact the terms of this initiative, except for a statewide initiative to change the constitution.

Working After Retirement

You can continue to receive your full CalSTRS retirement benefit, with no earnings limitation, if you take a job outside of CalSTRS-covered employment. This includes work in private industry outside the California public school system, private schools, public schools outside of California and work with the University of California or California State University system. If you return to work after service retirement in a position with the California public school system as an employee, an employee of a third party, or an independent contractor, you will be subject to restrictions under state law, except under a very narrow exclusion.

Separation-From-Service Requirement Zero-Dollar Earnings Limit

The California Public Employees' Pension Reform Act of 2013, expands the separation-from-service requirement, also known as the zero-dollar earnings limit, to all CalSTRS members who retire on or after January 1, 2013.

Your retirement benefit will be reduced dollar for dollar by any compensation earned from CalSTRS-covered employment during the first 180 calendar days following your most recent retirement effective date on or after January 1, 2013, up to your benefit payable during that period. This requirement also applies to Cash Balance annuitants who are under normal retirement age.

You may be exempt from this requirement if you have reached normal retirement age, your appointment is necessary to fill a critically needed position, the governing body of your employer, such as a school board, approves your appointment through a resolution adopted at a public meeting, you did not receive any financial inducement to retire, and your termination of service was not the cause of the need to acquire your services.

Your employer must submit the required documentation to CalSTRS substantiating your eligibility for this exemption. CalSTRS must receive the exemption request and required documentation before you can begin working. If approved, this exemption only applies to the separation-from-service requirement.

Postretirement Earnings Limit

The earnings limit for the 2012-13 school year is \$40,011, and the earnings limit for the 2013-14 school year is \$39,903. Any amount you earn in a CalSTRS-covered position during the first 180 calendar days of retirement will also count against the annual postretirement earnings limit for the appropriate fiscal year.



Example

If you return to CalSTRS-covered employment during the 2013-14 fiscal year after the first 180 days of your most recent retirement and earn a total of \$50,000, you will exceed the earnings limit of \$39,903 by \$10,097. If your annual retirement benefit is \$10,097 or more, then CalSTRS will collect the entire \$10,097 from your benefit payments for that year.

Narrow Exemption Distressed Schools

You may be exempt from the annual postretirement earnings limit through June 30, 2014, if you return to work as a trustee, fiscal adviser, fiscal expert, receiver or special trustee and are appointed by a governing authority as follows:



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Investors ask fossil fuel companies to assess how business plans fare in low-carbon future

Coalition of 70 investors worth \$3 trillion call on world's largest oil & gas, coal and electric power companies to assess risks under climate action and 'business as usual' scenarios.

WEST SACRAMENTO, Calif. – A group of 70 global investors managing more than \$3 trillion of collective assets today launched the first-ever coordinated effort to spur 45 of the world's top oil and gas, coal and electric power companies to assess the financial risks that climate change poses to their business plans.

Recent studies by the Intergovernmental Panel on Climate Change and the International Energy Agency have suggested that, in order to achieve the international goal of limiting global warming to 2°C, the world will need to live within a set carbon budget, and a significant portion of proven global fossil fuel reserves will need to be left in the ground. The world is currently, however, on a path toward global warming of 4°C or more, which the World Bank warned must be avoided in order to prevent catastrophic climate change impacts.

The investors, most of them based in the United States and Europe, sent letters to the fossil fuel companies last month, requesting detailed responses before their annual shareholder meetings in early 2014. Investors signing the letters include California's two largest public pension funds, the New York State and New York City Comptrollers, F&C Management and the Scottish Widows Investment Partnership.

The investor effort, called the Carbon Asset Risk (CAR) initiative, is being coordinated by [Ceres](#) and the [Carbon Tracker initiative](#), with support from the Global Investor Coalition on Climate Change.

According to the [Unburnable Carbon report](#), in 2012 alone, the 200 largest publicly traded fossil fuel companies collectively spent an estimated \$674 billion on finding and developing new reserves – some of which may never be utilized. This initiative highlights the opportunity to redirect this capital, rather than it being wasted on high carbon assets that could become stranded.

“The world is taking climate change seriously and global pressures to reduce fossil fuel use will only grow stronger,” said Jack Ehnes, CEO of the California State Teachers' Retirement System



(CalSTRS), the nation's second largest public pension fund with \$172 billion under management. "As long-term investors, we see the world moving toward a low-carbon future in which fossil fuel reserves that companies continue to develop may actually become a liability, which could take a toll on shareholder value."

"Demand for coal has been falling in key markets. Climate policy and economic changes in Asia mean this trend could soon become permanent. Analysts tell us that demand for oil could weaken too before long," said Craig Mackenzie, Head of Sustainability at Scottish Widows Investment Partnership, one of Europe's largest asset management companies. "Companies must plan properly for the risk of falling demand by stress-testing new investments to minimize the risk our clients' capital is wasted on non-performing projects."

"We have a fiduciary duty to ensure that companies we invest in are fully addressing the risks that climate change poses," said Anne Stausboll, CEO of the California Public Employees Retirement System (CalPERS) and co-chair of the Ceres board of directors. "We need robust long-term strategies that reflect the reality we face. This is using science and evidence to underpin the economics. We cannot invest in a climate catastrophe."

"Fossil fuel companies are the biggest sources of carbon pollution by far, which means they are also uniquely positioned to lead the world in responding to global climate risks," added Ceres president Mindy Lubber, speaking during a call with reporters today.

As of October 23, investors had received preliminary responses from 30 companies. Detailed answers to the investors' questions will come in follow-up responses. Participating investors are asking their peers to support this effort.

"Many of the responses investors have received from the companies thus far acknowledge that there is a legitimate risk issue around carbon reserves, and companies are open to continued engagement from the investor community to determine the scope," said Mark Fulton, a member of the Carbon Tracker's Advisory Board and a Ceres adviser. "Fossil fuel companies will prove to be more responsible stewards of capital in the future if they take action now to manage the risks posed by climate change."

"There's a real appetite among our clients to invest in companies that are innovating to address climate change," said Dr. Julie Gorte, Senior Vice President for Sustainable Investing at Pax World Management Corp., a sustainable and responsible asset management firm. "Tackling climate change is both a business risk and opportunity, so it is in the interest of energy companies and utilities to assess, disclose and develop strategies to mitigate carbon asset risk."

"Institutional investors must think over the long-term, which means that we must take environmental risks into consideration when we make investments," said New York State Comptroller Thomas P. DiNapoli, trustee of the \$160.7 billion New York State Common Retirement Fund.

"Assets are already being written down due to increasing competition between energy sources, air quality standards being introduced to reduce health impacts, and measures to reduce carbon



pollution combining to change the energy landscape,” said James Leaton, Research Director at Carbon Tracker. “Avoiding high cost, high carbon projects which are failing to deliver a return on capital will improve shareholder returns.”

For more information on carbon asset risk, visit www.carbontracker.org.

The [California State Teachers’ Retirement System](#), with a portfolio valued at \$172 billion as of September 30, 2013, is the largest educator-only pension fund in the world. CalSTRS administers a hybrid retirement system, consisting of traditional defined benefit, cash balance and voluntary defined contribution plans. CalSTRS also provides disability and survivor benefits. For 100 years, CalSTRS has served California's public school educators and their families, who today number 862,000 from the state’s 1,600 school districts, county offices of education and community college districts.

About Ceres

Ceres is a nonprofit organization mobilizing business and investor leadership on climate change, water scarcity and other sustainability challenges. Ceres directs the Investor Network on Climate Risk (INCR), a network of over 100 institutional investors with collective assets totaling more than \$12 trillion. Ceres also directs Business for Innovative Climate & Energy Policy (BICEP), an advocacy coalition of nearly 30 businesses committed to working with policy makers to pass meaningful energy and climate legislation. For more information, visit www.ceres.org or follow on Twitter @CeresNews.

About Carbon Tracker initiative

The Carbon Tracker initiative is a non-profit company established by its directors to align the capital markets with efforts to tackle climate change. Carbon Tracker has demonstrated the incompatibility of current capital expenditure plans in the energy sector with delivering emissions reductions to improve air quality and prevent climate change. This was captured in its 2013 report: ‘Unburnable Carbon: Wasted Capital and Stranded Assets’ Learn more at www.carbontracker.org or follow on Twitter @carbonbubble.

- Appointment by the State Superintendent as a trustee for a school district that has received an emergency apportionment.
- Appointment by a county superintendent as a fiscal adviser or fiscal expert for a school district that must revise its budget or that may or will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.
- Appointment by the State Board of Education as a trustee or a receiver for a local educational agency that has been identified for corrective action under the federal No Child Left Behind Act of 2001.
- Appointment by the Board of Governors of the California Community Colleges as a special trustee for a community college district that fails to achieve fiscal stability or that fails to comply with the board recommendations.

Your employer must submit the required documentation to CalSTRS substantiating your eligibility for the exemption. CalSTRS must receive the exemption request and required documentation before you can begin working. You are not eligible for an exemption if you have received a retirement incentive in the previous six months.

The eligibility documentation must include certification that:

- The position was advertised to active or inactive members and no qualified person was available to be appointed.
- The appointing authority made a good faith effort to hire a retired member who would reinstate.
- The salary being paid does not exceed what was advertised or is currently paid for that position.

If approved, this exemption only applies to the annual postretirement earnings limit.

Earnings Options

You can continue to receive your full CalSTRS retirement benefit, with no earnings limit, if you take a job outside of CalSTRS-covered employment. You may be subject to other earnings limitations if you belong to another public retirement system and depending upon the type of work you perform.

Reinstatement and Re-retirement

You may also terminate your retirement and continue working with no earnings limitations. If you do so, you may accrue additional retirement benefits. Upon reinstatement from service retirement beginning July 17, 2012, you no longer need to wait one year to re-retire. However, if you re-retire within a year of reinstatement, you cannot change your retirement option or beneficiaries. If you re-retire after 12 months of reinstating, you may change or cancel your option election before or at retirement, but you may have to pay an assessment. Once you are in retirement, you may make a postretirement option change only under limited circumstances.

If you reinstated on or before July 16, 2012, your retirement date must be at least one calendar year from the date you reinstated.

When you re-retire, you will be subject to the separation-from-service requirement. CalSTRS encourages you to meet with a CalSTRS benefits counselor before you decide to terminate your retirement and return to active membership.

Exclusion When Working for a Third Party

You may be excluded from the postretirement earnings limit and other postretirement employment requirements if:

- You return to work for a third-party employer that does not participate in a California public pension system.
- The activities performed are not normally performed by other employees of a CalSTRS employer and the activities are performed for a limited term.

Check with your employer to determine if you are subject to this exclusion.

Earnings Reports

Employers must report your earnings as a retired member to CalSTRS no later than 45 days after the end of the pay period. CalSTRS sends two letters reminding you how close you are to the earnings limit. However, you should also track your earnings to avoid exceeding the limit. If you exceed the earnings limit, CalSTRS will send you a letter informing you of the excess earnings deductions from your retirement benefit.