HOW WILL YOU SPEND YOUR FUTURE?

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REDEFINING THE FUTURE

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Comprehensive Annual Financial Report

A COMPONENT UNIT OF THE STATE OF CALIFORNIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CALSTRS

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

A Component Unit of the State of California

Comprehensive Annual Financial Report

for the Fiscal Year Ended June 30, 2015

Prepared by CalSTRS staff

MISSION

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

STRATEGIC GOALS

Financial
Ensure a financially sound retirement system.

Risk Management
Responsibly manage risk to the organization.

Member/Customer
Enhance services to members and customers.

Workforce and Process Improvements
Improve the work environment and internal efficiency.

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CALSTRS

California State Teachers'
Retirement System
100 Waterfront Place
West Sacramento, CA 95605

December 18, 2015

The Comprehensive Annual Financial Report issued by the California State Teachers' Retirement System details the system's performance for the fiscal year ending June 30, 2015. This fiscal year's investment returns of 4.8 percent gross, as calculated on a time-weighted basis, was below our actuarially assumed 7.5 percent (net) rate and brings focus to risk mitigation efforts within the fund. Slow U.S. and global growth, along with global market volatility, are the primary factors for returns not meeting targets.

As with any large, mature financial services organization, the challenges of balancing assets and liabilities, investment gains and losses, operational growth and sustainability guide our business strategy as we look to redefine our future. An appropriate long-term strategy and vision serve to strengthen our success, and this fiscal year's performance will not adversely affect the long-term financial health of the fund.

Stabilization of the Defined Benefit Program

For the first time in nearly a decade, actuarial projections indicate contributions are sufficient to meet future needs based on the current investment assumption rate of 7.5 percent. Due to the new funding structure enacted in Chapter 47, Statutes of 2014 (Assembly Bill 1469-Bonta), CalSTRS no longer projects a fund depletion date. Instead, the Defined Benefit Program is projected to be fully funded by 2046. In addition, with the enactment of Assembly Bill 1469-Bonta in July 2014, CalSTRS accomplished substantial progress toward fulfilling *Goal 1 – Financial: "Ensure a financially sound retirement system"* as outlined in the organization's 2012-2017 Strategic Plan.

A snapshot of the Defined Benefit Program's assets and liabilities as reported in the June 30, 2014 actuarial valuation, reflects a decrease of about $1 billion in the unfunded liability, now at $72.7 billion. Last year's projections marked the funding shortfall at $73.7 billion. This year's actuarial valuation also shows a 1.6 percent increase in the funded ratio from 66.9 percent to 68.5 percent. It is important to note that these actuarial valuation numbers are computed differently than the Net Pension Liability (NPL) amounts as defined per GASB standards in the Management Discussion and Analysis portion of this report.

2015 Asset Allocation Study

In February, CalSTRS initiated our 2015 *Asset Allocation Study*, which has taken place every three years since 2003. The study is being conducted over the course of five to six board meetings throughout 2015 and into early 2016 and will conclude with the Teachers' Retirement Board's adoption of a new strategic asset allocation policy and direction. CalSTRS takes great care in working with the world's most highly regarded investment professionals and consultants in determining a range of different asset classes to consider for our policy allocation, the role and strategic rationale of each asset class, and the risk/reward characteristics within the CalSTRS Investment Portfolio.

Much of the study's discussion concerns strategies to mitigate the risk of future market declines, with a focus on the effect of dramatic equity declines like those of the past decade. It is important to keep in mind that as liabilities are being paid down, the fund remains sensitive to asset return volatility and large, negative returns. Lessons learned from the dot-com bust in 2001 and the economic turmoil from the 2008–09 market crash serve to remind us of how heavy losses during significant downturns can negatively affect the fund.

We at CalSTRS are stewards of the hard-earned savings that California's educators contribute toward their retirement and have entrusted to us. CalSTRS is a long-term investor and ultimately our goal is to generate returns which are sufficient to meet the plan's liabilities for the benefit of our members.

As a global investor, we recognize that environmental, social and governance (ESG) factors can have a significant impact on a company's performance. As organizations such as the Sustainability Accounting Standards Board (SASB) publish standards across all industry sectors detailing ESG issues of material relevance, that information will greatly enhance investors' abilities to incorporate the analysis of those risks into their investment strategies.

Inaugural Sustainability Report Published

In May 2015, we published our first sustainability report, the *2013–14 Sustainability Report: The Next 100 Years,* as a testament to our commitment to progressive environmental, social and governance practices. CalSTRS is the first U.S. public pension plan to embark on sustainability reporting in accordance with Global Reporting Initiative (GRI) guidelines. The report evaluates CalSTRS' comprehensive initiatives in retirement security, investment impact, business practice transparency and environmental efforts.

The *2013–14 Sustainability Report* also points to the need for more businesses to produce integrated reports that present financial and nonfinancial information together to bring visibility to all material risks. The concept of integrated reporting is not new, but the direction we have taken in this area demonstrates our commitment to generating more comprehensive communication. Completion of a GRI-based sustainability report also ensures we have taken steps consistent with our business beliefs and strategic business plan objectives.

Our long-term vision seeks to align our sustainability beliefs with every facet of our business plan. Our long-term goal is to propel CalSTRS into a fully sustainable global organization. This report serves as a clear statement delineating our dedication to continue our rich history of serving California's educators while balancing our environmental, social and governance impact on the planet.

Final Elk Hills Installment Welcome

In December 2014 we received our final $15.6 million payment of compensation from the 1997 sale of the Elk Hills Naval Petroleum Reserve. This final installment marks the end of a nearly 15-year transaction, the proceeds of which benefit our retired educators' pensions when they fall below 85 percent of their original purchasing power.

State law directs that any proceeds from state school lands on which there were petroleum reserves be used to support retired teachers' pensions. This program, known as the Supplemental Benefit Maintenance Account (SBMA), serves as a safeguard against the erosive effects of inflation. Approximately 35,800 CalSTRS beneficiaries received inflation protection payments from this account.

It took many years of dogged determination to ensure that installments were made in the face of a seven-year gap in payments that began in 2006. We thank U.S. House Majority Leader Kevin McCarthy and U.S. Senator Dianne Feinstein, who sponsored the language that made this final payment possible, as well as the longstanding efforts of former Rep. Bill Thomas for his tireless work in securing the original settlement legislation and the bulk of the annual payment.

Proxy Season Success

The CalSTRS Corporate Governance Program continues to be successful in many areas, influencing the governance profiles of companies around the world. We believe an essential part of managing the portfolio is attention to good governance because it not only adds value, but also mitigates risk for the CalSTRS fund. Overall, we voted on 77,461 proxy proposals at 7,923 meetings, submitted on behalf of 7,110 corporations held in our Global Equity Portfolio during fiscal year 2014–15.

The dominant governance issue this season was proxy access. We supported 83, or approximately 95 percent, of the 87 access proposals in 2014–15, primarily because these proposals were modeled after the Securities and Exchange Commission's (SEC) original proxy access proposal. The SEC proposal allowed an investor, or a group of investors, holding an aggregate of 3 percent or more of the company's shares for three or more years the right to nominate director candidates on the proxy. This is referred to as the SEC's three-and-three rule, which aligns with CalSTRS Corporate Governance Principles.

The 2014–15 proxy season also saw an increase in environmental proposals as fossil fuel and sustainability risks remained a top shareholder concern. In all, we considered many types of major shareholder proposals with one type, environment-related proposals, increasing substantially from 69 in fiscal year 2013–14 to 90 in fiscal year 2014–15.

In general, the market showed improved governance. Certain companies, however, remain outliers by retaining large pay packages or archaic governance practices. As a long-term owner and lender to corporations around the world, our duty is to protect assets through the pursuit of good governance and operational accountability.

Member Profile

Established 102 years ago, CalSTRS, with a $192.4 billion in net position as of June 30, 2015, is the largest educator-only pension fund in the world. It administers retirement, disability and survivor benefits for California's 895,956 public school educators and their beneficiaries, from prekindergarten through community college. The Teachers' Retirement Law, part of the California Education Code, established the programs with CalSTRS as the administrator. The law sets required member, employer and state contribution rates. CalSTRS members include employees of approximately 1,700 school districts, community college districts, county offices of education and regional occupational programs as of June 30, 2015. Our membership spans from the new teacher just starting out to the retired educator enjoying the fruits of decades of teaching in the classroom.

The median CalSTRS pension replaced less than 60 percent of final salary for the members who retired last year. CalSTRS recommends income replacement of 80 percent to 90 percent to maintain a similar lifestyle in retirement. Public educators do not receive Social Security benefits for their CalSTRS service. Moreover, due to the federal Government Pension Offset and Windfall Elimination Provision, retirees often have their Social Security benefits reduced when receiving a CalSTRS benefit. Most retired educators also do not have employer-funded health insurance after age 65.

We continue to reach members in their communities—from Crescent City to San Diego—with online services, counseling services and workshops that explain retirement options and stress the need for early savings. With web-based information and more than 40 publications, we strive to be members' trusted guide to retirement.

Financial Statements

The financial statements and notes along with the Management Discussion and Analysis in this report present and analyze the changes in CalSTRS fiduciary net position for the fiscal year ended June 30, 2015. The markets are dynamic and fluid; any judgment of the financial statements should also consider current market conditions.

Management Responsibility for Financial Reporting and Internal Controls

The financial statements were prepared in accordance with accounting principles generally accepted in the United States. Management is responsible for the integrity and fairness of the information presented in the financial statements, including data that, out of necessity, is based on estimates and judgments. Management is also responsible for establishing and maintaining an effective internal control structure. A system of internal controls provides reasonable, but not absolute, assurance that assets are properly safeguarded and that financial statements are reliable. The concept of reasonable assurance recognizes that first, the cost of a control should not exceed the benefits likely to be derived, and second, the valuation of the cost and benefits requires estimates and judgments by management. We believe that the internal controls currently in place support this purpose, and that the financial statements, accompanying schedules and statistical tables are fairly presented in all material respects.

Investments Overview

The CalSTRS Investment Portfolio increased by $2.3 billion over the past 12 months. The CalSTRS portfolio is broadly diversified, holding investments ranging from publicly traded short-term bonds to privately held partnerships. The scale and breadth of investments make the management and oversight of these assets highly complex. In light of these factors, CalSTRS has been effective in using its resources in a cost-efficient manner to ensure that benefits continue to flow to CalSTRS participants. Over the last year, the CalSTRS Investment Portfolio generated a 4.8 percent gross one-year return calculated on a time-weighted performance basis.

See the Investments section for more detailed information on the performance of the CalSTRS Investment Portfolio.

Actuarial Reports

A summary of demographic and economic assumptions adopted from experience studies that CalSTRS conducts every four years is highlighted in this section. These assumptions are applied to an actuarial valuation that is generally performed on an annual basis. The actuarial valuation provides a picture of the overall funding health of our programs, including the Defined Benefit, Defined Benefit Supplement, Cash Balance Benefit and Medicare Premium Payment programs.

Statistical Reports

This section includes tables that reflect financial trends of the State Teachers' Retirement Plan and demographic characteristics of the Defined Benefit, Defined Benefit Supplement, Cash Balance Benefit, CalSTRS Pension2, and Medicare Premium Payment programs. Also captured in the tables, when applicable, is information comparing the last nine years to the previous fiscal year. This look back reveals overall trends in our programs and membership demographics that help us accurately forecast our future ability to meet our members' retirement needs.

GFOA Award

The Government Finance Officers Association of the U.S. and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to CalSTRS for its comprehensive annual financial report for the year ended June 30, 2014. This is the 20th consecutive year CalSTRS has received this prestigious award. To be awarded the certificate, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. Our report must satisfy both generally accepted accounting principles and applicable legal requirements.

PPCC Standards Award Program

The Public Pension Coordinating Council (PPCC) presented CalSTRS with its Recognition Award for Funding and Administration for meeting professional standards for funding and administration as set forth in the Public Pension Standards. The Public Pension Coordinating Council is a coalition of three national associations that represent public retirement systems and administrators. The associations that form the PPCC are the National Association of State Retirement Administrators, National Council on Teacher Retirement and National Conference on Public Employee Retirement Systems. Together, these associations represent more than 500 of the largest pension plans in the U.S.

Acknowledgements

The 2015 Comprehensive Annual Financial Report demonstrates our commitment to ensure the financial security of California's educators. The accuracy of the financial data reflects CalSTRS' executive leadership and is a duty performed with prudence in perpetuity. The notion that ideas of the future are influenced by the day-to-day interactions teachers have with students today drives the high quality of service we provide. I would like to thank the many staff, advisors and stakeholder organizations dedicated to serving and securing the financial future of our members. CalSTRS is a unique pension system and it is of utmost importance we continue to sustain the trust and financial integrity of our members in their retirement.

Respectfully submitted,

Jack Ehnes
Chief Executive Officer

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

California State

Teachers' Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2015

Presented to

California State Teachers' Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

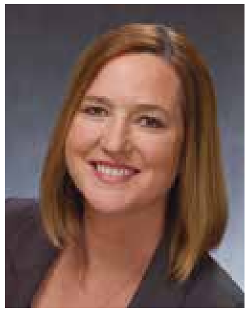
Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

TEACHERS' RETIREMENT BOARD (AS OF JUNE 30, 2015)

HARRY KEILEY
Board Chair
K–12 Classroom Teacher
Term: 01/01/12–12/31/15



SHARON HENDRICKS
Board Vice Chair
Community College Instructor
Term: 01/01/12–12/31/15

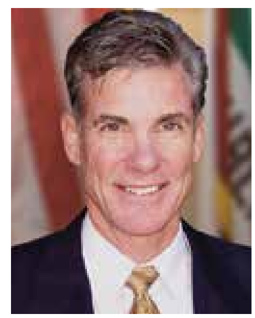
MICHAEL COHEN
Director of Finance
Ex-Officio Member

JOHN CHIANG
State Treasurer
Ex-Officio Member

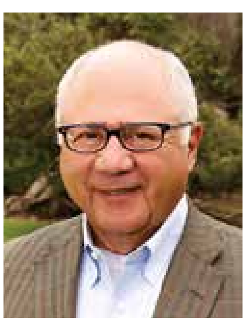
DANA DILLON
K–12 Classroom Teacher
Term: 01/01/12–12/31/15

JOY HIGA
Public Representative
Term: 01/27/14–12/31/17

PAUL ROSENSTIEL
Public Representative
Term: 01/01/15–12/31/18



TOM TORLAKSON
State Superintendent of Public Instruction
Ex-Officio Member



THOMAS UNTERMAN
Public Representative
Term: 07/03/13–12/31/15

BETTY YEE
State Controller
Ex-Officio Member

NORA E. VARGAS
School Board Representative
Term: 04/23/15–12/31/15

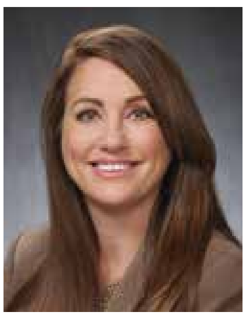
EXECUTIVE STAFF

Executive

JACK EHNES
Chief Executive Officer

Investments

CHRISTOPHER AILMAN
Chief Investment Officer

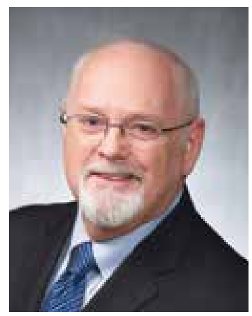


CASSANDRA LICHNOCK
Chief Operating Officer

Financial Services

ROBIN MADSEN
Chief Financial Officer

General Counsel

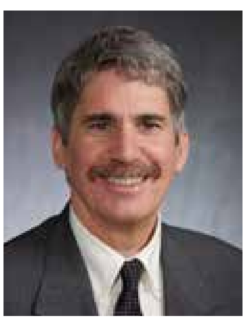


BRIAN J. BARTOW
General Counsel

Technology Services

ASHISH JAIN
Chief Technology Officer

Plan Design and Communication



ED DERMAN
Deputy Chief Executive Officer

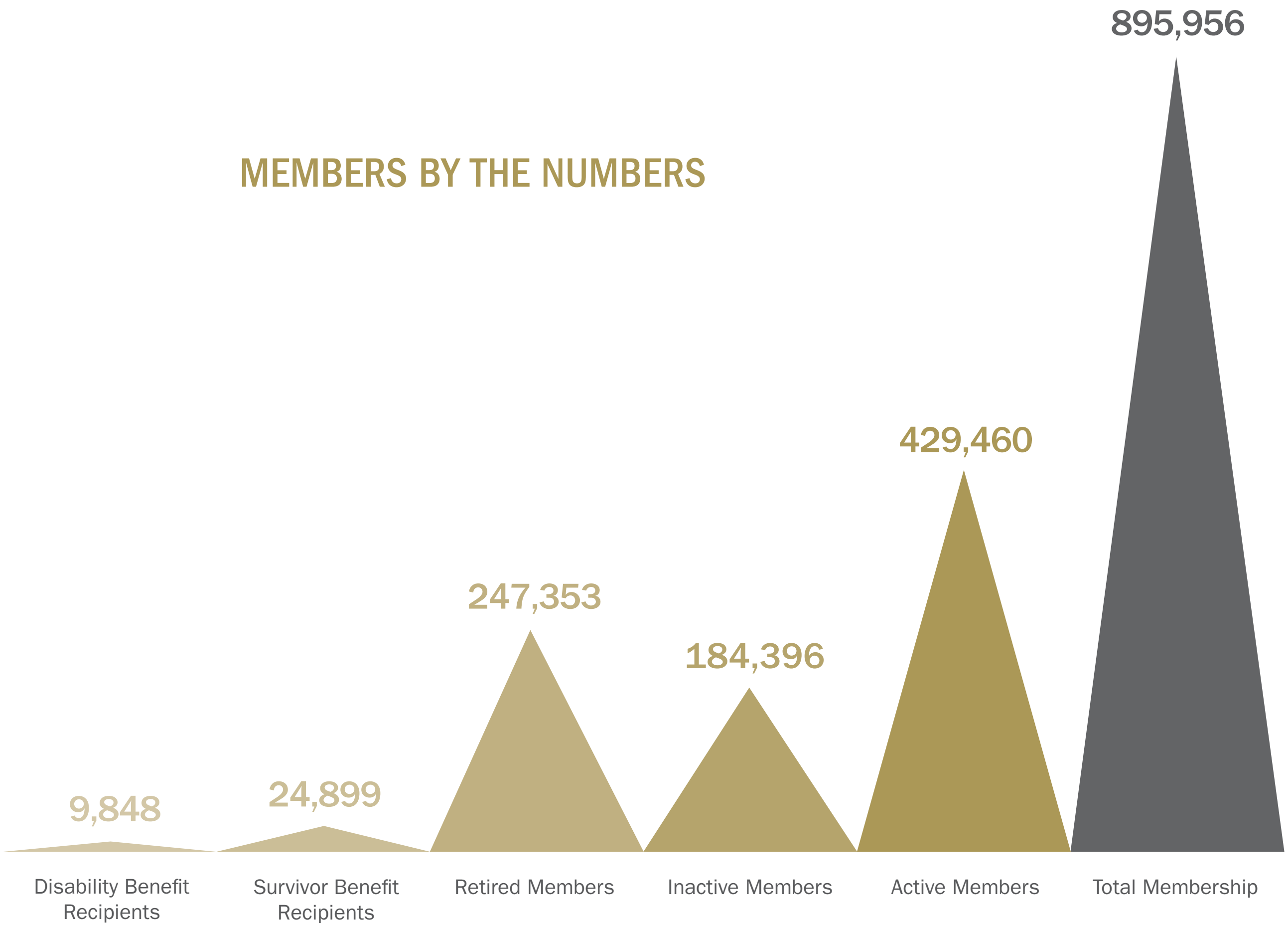
Administrative Services

LISA BLATNICK
Chief of Administrative Services

Benefits and Services

ANDREW ROTH
Benefits and Services Executive Officer

MEMBERS BY THE NUMBERS



Membership

Membership in the CalSTRS Defined Benefit Program includes California public school employees, prekindergarten through community college, who teach, are involved in selecting and preparing instructional materials, provide vocational or guidance counseling or are supervising people engaged in those activities. Membership is in effect as long as contributions remain on deposit with CalSTRS. Members are employed in approximately 1,700 public school districts, community college districts, county offices of education, Regional Occupational Centers and Programs, and select state agencies. The CalSTRS Defined Benefit Program includes retirement, disability and survivor benefits. Beneficiaries of a retired member who elected an option receive a continuing lifetime benefit upon the member's death. The financial statements, presented in the financial section, contain Defined Benefit Program membership data as of June 30, 2014, due to the timing of the issuance of the basic financial statements, whereas the membership data presented on this page is as of June 30, 2015. Consequently, the membership data presented here and in the financial statements do not agree.

Benefits to Members and Benefit Recipients

Service Retirement

CalSTRS is committed to providing exceptional service to its retired members. Our staff establishes and maintains timely and accurate service retirement benefits.

11,278	Members who retired in fiscal year 2014–15
5.05 percent	Increase from fiscal year 2013–14

Disability Benefits

95 percent	Applications processed within 150 days
781	Applications received
569	Applications approved
4 percent	Decrease in number of disability applications received from fiscal year 2013–14

Survivor Benefits

92 percent	Payments processed within 30 days of receiving all necessary information
8,313	Notifications of death received
7 percent	Increase in number of notifications from fiscal year 2013–14

Communicating With Our Members and Beneficiaries

Customer Service

Members may contact a CalSTRS Contact Center agent by phone, secured online message, or written correspondence.

278,839	Member inquiries answered
68 percent	Member calls answered within 30 seconds
87 seconds	Average wait time to talk with Contact Center agent
68 percent	Members who received a response to their secure online message within one business day

CalSTRS places great emphasis on customer satisfaction and regularly surveys members to ensure they receive accurate, timely and thorough answers to their questions.

- 75 percent of members were “highly satisfied” with their Contact Center experience.

Member Communications

CalSTRS communicates with its active and retired members through a variety of channels.

Newsletters

CalSTRS reaches out to members and beneficiaries through the *CalSTRS Connections: Reaching Your Retirement*, *CalSTRS Connections: Your Money Matters* and *Retired Educator* newsletters.

CalSTRS Connections: Reaching Your Retirement is sent to active and inactive members age 50 and older in the spring and fall. It provides information about retirement planning and decisions, workshops and benefits counseling, legislative news and more.

CalSTRS Connections: Your Money Matters is sent to active and inactive members age 49 and younger in the spring and fall. It provides updates on CalSTRS programs and services, articles on retirement and financial planning, legislative news and more.

Retired Educator is sent to retired members and beneficiaries in the summer and winter. It provides information on benefits and services, legislation, investments and board updates.

Retirement Progress Report

Every year Defined Benefit members and Cash Balance Benefit participants receive a personalized *Retirement Progress Report* that contains retirement planning information and detailed account information as of June 30 of that school year. For Defined Benefit members age 45 and older, the report also includes retirement benefit estimates. The reports are available online in September in the member’s *my*CalSTRS account and are mailed in October if requested. Retired members and other benefit recipients do not receive this report.

Member Informational Publications

CalSTRS offers a number of publications to members at various stages in their careers.

The *CalSTRS Member Handbook* is a comprehensive resource of CalSTRS programs and benefits, including descriptions, eligibility requirements and worksheets. The handbook is updated annually.

The *Your Retirement Guide* booklet provides the information members need to plan, research and make retirement decisions regarding their Defined Benefit pension and Defined Benefit Supplement funds. It includes step-by-step instructions for applying for the service retirement and what to expect after submitting the retirement application.

CalSTRS Member Kits contain targeted retirement information and are sent annually to three groups of CalSTRS members when they reach a career milestone. The three career milestones—newly vested, mid-career and near retirement—are based on the member's age and length of service.

In addition, CalSTRS produces publications that cover specific topics, including:

- *Cash Balance Benefit Program: A Retirement Plan for Part-Time and Adjunct Educators*
- *Community Property Guide*
- *Introduction to Disability Benefits*
- *Your Disability Benefits Guide*
- *Join CalSTRS? Join CalPERS?*
- *Purchase Additional Service Credit*
- *Refund: Consider the Consequences*
- *Social Security, CalSTRS and You*
- *Survivor Benefits: Remember Your Loved Ones*
- *Tax Considerations for Rollovers*
- *Welcome to CalSTRS*

CalSTRS Online

CalSTRS has four websites: CalSTRS.com, *my*CalSTRS, Pension2.com and 403bCompare.com.

CalSTRS.com is the main site for members, board members, employers and other business partners. Features include online calculators to estimate retirement benefits and the cost to purchase service credit or redeposit funds; CalSTRS publications and forms; and self-scheduling for workshops and benefit counseling sessions.

*my*CalSTRS, CalSTRS' self-service site for members, provides secure and convenient access to members' personal accounts. After registering for *my*CalSTRS, members can view their account balances, complete and submit forms online, keep their address current, view their *Retirement Progress Reports*, and ask questions and receive prompt answers.

Pension2.com is the website for Pension2's 403(b), 457(b) and Roth 403(b) plans. It also features online enrollment forms, financial planning tools, webinars and more.

At 403bCompare.com, members can compare fees charged by different mutual funds and insurance products.

Members can also stay connected to CalSTRS through its social media presence on Facebook, Twitter, Google+, LinkedIn, YouTube and Pinterest.

403bCompare Web Tool

The 403bCompare website is a bank of free objective information about 403(b) vendors and the products they offer.

With 403bCompare.com, members can easily compare tax-deferred 403(b) retirement investment products such as annuities and mutual funds. The tool features an option that allows members to compare up to three like products with a side by side comparison of fund descriptions, fees and returns.

Benefits Planning Services

CalSTRS currently has five member service centers: West Sacramento (headquarters), Glendale, Santa Clara, Irvine and Riverside opened in July 2015.

Member service centers offer educational and benefits planning services, including individual and group benefits planning sessions, and workshops. Existing member service centers serve the greater Sacramento, Los Angeles, Bay Area, Orange County and the Inland Empire regions. Offices are open Monday through Friday, 8 a.m. to 5 p.m., and some Saturdays by appointment.

One of the unique aspects of the centers is that they offer a wide array of benefits planning and educational services. By visiting any of the centers, members have an opportunity to attend educational workshops, meet with CalSTRS benefits specialists by appointment or seek assistance with general information questions on a walk-in basis. Member service center staff also review and receive forms, transmit them to headquarters for processing, and provide access to CalSTRS educational materials and publications.

In addition to the member service centers, CalSTRS has one leased office space staffed by CalSTRS staff and seven benefits planning offices located in county offices of education across the state. These offices typically provide workshops, group and individual benefits planning sessions and walk-in assistance, in addition to reviewing and receiving completed forms.

This year, 31,386 members attended group or individual benefits planning sessions or workshops, while 11,214 members took advantage of the opportunity to walk in and receive immediate assistance. An additional 2,932 members received services at outreach events, including job fairs and on-campus presentations.

Another convenient service for members is the estimate-only service, which last year provided 1,095 members with updated retirement benefit estimates without requiring second appointments.

CalSTRS continues to focus on providing services that increase accessibility for members, reflect individual member needs and increase member self-education.

Services to Employers, Member and Client Organizations

CalSTRS staff supports the employer reporting process through education, collaboration and continuous improvement. CalSTRS has enhanced the delivery of information by making it available electronically and on demand for the employer. The Secure Employer Website (SEW), a secure solution for employers to submit their monthly reporting data, includes checks and balances to ensure the data is accurate and verified.

CalSTRS is committed to preventing pension abuse by automating the review of compensation credited to retirement benefits. The CalSTRS Compensation Review Unit has increased reviews of potential abuse cases through the Pension Abuse Reporting Hotline and online reporting form.

Professional Services

CalSTRS contracts for the services of various independent consultants essential to the effective and professional operation of the system. Milliman, Inc. provides actuarial services and the independent auditor is Crowe Horwath LLP. Lists of investment professionals for investment services and other consultants are provided on Schedules VII and VIII in the Financial section of the report. Table 8 in the Investments section also lists entities to whom CalSTRS paid global equity broker commissions during the fiscal year.

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CalSTRS is **the largest educator-only pension fund in the world**, with a $192.4 billion in net position as of June 30, 2015.

FINANCIAL

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Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Teachers' Retirement Board of the California
State Teachers' Retirement System
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of California State Teachers' Retirement System (the System), a component unit of the State of California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of California State Teachers' Retirement System as of June 30, 2015, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Net Pension Liability of Employers and Nonemployer Contributing Entity

As described in Note 3, based on the most recent actuarial valuation as of June 30, 2014, the System's independent actuaries determined that, at June 30, 2015, the value of the State Teachers Retirement Plan (STRP) total pension liability exceeded the STRP fiduciary net position by $67.3 billion. Our opinion is not modified with respect to this matter.

Fair Value of Investments

As described in Note 5, the financial statements include investments valued at approximately $53.1 billion as of June 30, 2015, for which fair value has been estimated by general partners and investment advisors, and reviewed and approved by the System's management, in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, the estimate of values may differ from the values that would have been used had a ready market existed for the investment securities, and the differences could be material. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited the System's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 1, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 28-40 and the Schedule of Changes in Net Pension Liability of Employers and Nonemployer Contributing Entity, Schedule of Net Pension Liability of Employers and Nonemployer Contributing Entity, Schedule of Contributions from Employers and Nonemployer Contributing Entity, Schedule of Money-Weighted Investment Returns and Schedule of Funding Progress (Medicare Premium Payment Program only) on pages 75 – 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The Introduction section, Schedule of Administrative Expenses, Schedule of Investment Expenses, Schedule of Consultant and Professional Services Expenses, Investments section, Actuarial section, and Statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Administrative Expenses, Schedule of Investment Expenses and Schedule of Consultant and Professional Services Expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Administrative Expenses, Schedule of Investment Expenses and Schedule of Consultant and Professional Services Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introduction section, Investments section, Actuarial section and Statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2015 on our consideration of California State Teachers' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California State Teachers' Retirement System's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
October 8, 2015

California State Teachers' Retirement System
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Management's Discussion and Analysis of the California State Teachers' Retirement System's (CalSTRS) financial performance provides an overview of activities for the fiscal year ended June 30, 2015. The discussion and analysis focuses on the year's business events and resulting changes. This discussion is more meaningful when read in conjunction with CalSTRS financial statements and the accompanying notes to the financial statements.

In addition to historical information, the discussion and analysis includes some forward-looking statements that involve uncertainties and risks. CalSTRS actual results, performance and achievements expressed or implied in these statements are subject to changes in interest rates, securities markets, general economic conditions, legislation, regulations, and other factors.

SUSTAINABILITY

At the center of CalSTRS Core Values is sustainability, an integral component of the framework that governs the business culture. In fact, sustainability and risk management were identified as key priorities this year and extending into the next several years.

From member services to the investment strategy, CalSTRS sustainable practices are designed to create long-term value, promote stewardship of natural resources and sustain the financial integrity of the system for the benefit of its members and community. CalSTRS believes establishing a corporate environment with sustainable values is a blueprint for better performance.

To demonstrate CalSTRS commitment to sustainable business practices, CalSTRS unveiled a new, dedicated Sustainability section on CalSTRS.com. In addition, we completed our inaugural *2013-14 Sustainability Report, The Next 100 Years* (available on CalSTRS.com) in May 2015.

By implementing the full-funding plan enacted through Assembly Bill 1469, adopting clarifying regulations on creditable compensation, promoting sound governance policies and practices through proxy voting, and increasing our portfolio of green investments, we solidified our commitment to sustainability through our business efforts.

CORPORATE GOVERNANCE

The Teachers' Retirement Board understands that the CalSTRS portfolio is the foundation of our members' retirement security and that good corporate governance is essential to the sustainability of the portfolio. All activities of the Corporate Governance program are guided by the CalSTRS Corporate Governance Principles. In February of 2015 the CalSTRS Investment Committee adopted updated corporate governance principles and set the stage for an active proxy season.

GREEN INVESTMENTS

CalSTRS continues to expand its environmental integration efforts and is widely considered to be a leader among institutional investors integrating environmental considerations. CalSTRS has increased its portfolio of green investments through additional commitments in its Inflation Sensitive asset group and through increased purchases of green bonds in the Fixed Income portfolio. The growth in green bonds aligns with a commitment that CalSTRS Chief Executive Officer Jack Ehnes made during his participation in the 2014 Climate Summit where he announced that CalSTRS will more than double the fund's clean energy and technology investments of $1.4 billion to $3.7 billion over the next five years. The Green Initiative Task Force 2014 Annual Report (available on CalSTRS.com) highlights CalSTRS efforts in integrating environmental considerations.

ASSEMBLY BILL 1469

Under California law, the Defined Benefit (DB) Program of the State Teachers' Retirement Plan (STRP) receives contributions from members and employers set as a percentage of members' creditable earnings, in addition to contributions from the state's General Fund and other sources. CalSTRS investment earnings finance the cost of administering the DB Program and partially offset the amount of contributions required to fund

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benefits. Unlike most other pension plans in California, the Teachers' Retirement Board does not have broad authority to raise contribution rates[1]. Because contribution rates are set in statute, the authority to adjust them rests with the Legislature and the Governor.

On June 24, 2014, Governor Brown signed Assembly Bill (AB) 1469 (Bonta) into law. AB 1469 addresses the CalSTRS Defined Benefit Program's unfunded liability by incorporating a detailed funding plan to eliminate the unfunded liability by the year 2046.

Under the funding plan, Defined Benefit Program contribution rate increases are incrementally phased in over three years for members and the state and over seven years for employers. During fiscal year 2014 -15, CalSTRS implemented the provisions of AB 1469 through changes in technology systems, actuarial valuation assumptions and communications with members, employers and other stakeholders. Please refer to Note 1 for more information on the new contribution rates.

CREDITABLE COMPENSATION REGULATIONS

The Teachers' Retirement Board adopted regulations to clarify provisions of the Education Code as they relate to classes of employees, creditable compensation and the appropriate crediting of contributions to either the Defined Benefit Program or the Defined Benefit Supplement (DBS) Program effective January 1, 2015. The regulations provide employers and CalSTRS staff comprehensive guidelines to ensure all members are being credited properly, consistently and fairly for their service. The regulations also help CalSTRS identify, evaluate and determine instances of pension spiking – the boosting of pay at the end of a career to increase a pension benefit. These regulations are expected to reduce employer and state contribution costs. CalSTRS consulting actuary estimated maximum savings of $56.0 million annually for employers and $22.0 million annually for the state.

[1] The board has limited authority to adjust contribution rates for employers and the state from FY 2021-22 through FY 2045-2046 and FY 2017-2018 through FY 2045-2046, respectively. See Note 1 for more information.

BUSINESS TRANSFORMATION

CalSTRS continues to make progress with its long-term BusinessRenew Program created to lead the transformation of business processes and systems to enable CalSTRS to meet the objectives outlined in its strategic plans.

CalSTRS is currently focusing its efforts on the Pension Solution Project, a major BusinessRenew Program effort that includes the replacement of CalSTRS legacy pension administration system. In February 2015, CalSTRS announced it had awarded the Pension Solution contract to CGI Group, Inc. to provide the software solution and technology and hosting platform. The contract was signed on June 30, 2015.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD

CalSTRS implemented a multi-layered outreach effort to further bolster employer education about the effects of Governmental Accounting Standards Board statements (GASB) 67 and 68. CalSTRS efforts included direct mailings, webinars, employer newsletters, and updated FAQs at CalSTRS.com.

In February 2015, GASB released Statement No. 72, *Fair Value Measurement and Application*, to address how fair value should be measured and applied by governmental entities. Under GASB 72, investments will generally be measured at fair value and reporting entities will have to expand the related scope of disclosures for the investment portfolio. In June 2015, GASB released Statement Nos. 74 and 75, which relate to accounting and financial reporting for postemployment benefits, and Statement No. 73, which amends GASB Statement Nos. 67 and 68 and establishes requirements for pensions and pension plans that are not administered through a trust. Additional information regarding new GASB statements can be found in Note 8.

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FINANCIAL HIGHLIGHTS

The tables that follow present comparative information and changes to plan net position for State Teachers' Retirement Plan for fiscal years 2014-15 and 2013-14.

NET POSITION
(Dollars in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2015	2014	Percent Change
Investments [1]	$ 211,960,086	$ 214,193,243	(1.0%)
Cash	359,992	287,965	25.0%
Investment Receivables	3,461,566	2,637,163	31.3%
Member, Employer and Other Receivables	545,570	572,831	(4.8%)
Capital and Other Assets	226,167	229,080	(1.3%)
Deferred Outflows of Resources	16,398	-	100.0%
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 216,569,779	$ 217,920,282	(0.6%)
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Benefits in Process of Payment	1,178,524	1,121,034	5.1%
Investment Payables	3,725,966	2,908,250	28.1%
Loan Payable	1,447,405	944,269	53.3%
Net Pension and OPEB Obligation	213,427	57,800	269.3%
Other	111,854	103,615	8.0%
Securities Lending Obligation	18,043,187	22,311,298	(19.1%)
Deferred Inflows of Resources	27,080	-	100.0%
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	$ 24,747,443	$ 27,446,266	(9.8%)
NET POSITION	$ 191,822,336	$ 190,474,016	0.7%

[1] Includes securities lending collateral of $18 billion and $22.3 billion for 2015 and 2014, respectively.

CHANGES IN NET POSITION
(Dollars in Thousands)

ADDITIONS	2015	2014	Percent Change
Member Contributions	$ 2,509,712	$ 2,263,613	10.9%
Employer Contributions	2,677,815	2,272,166	17.9%
State of California	1,425,796	1,383,468	3.1%
Net Investment Income	7,611,644	30,401,903	(75.0%)
Other	3,935	2,055	91.5%
TOTAL ADDITIONS	$ 14,228,902	$ 36,323,205	(60.8%)
DEDUCTIONS			
Benefit Payments	12,476,902	11,927,556	4.6%
Refunds of Contributions	87,694	107,600	(18.5%)
Administrative Expenses	145,239	154,155	(5.8%)
Other	8,840	8,787	0.6%
TOTAL DEDUCTIONS	$ 12,718,675	$ 12,198,098	4.3%
NET POSITION INCREASE	1,510,227	24,125,107	(93.7%)
BEGINNING NET POSITION - as previously reported	190,474,016	166,348,909	14.5%
Adjustment for application of GASB 68 (Note 2)	(161,907)	-	100.0%
BEGINNING NET POSITION - as adjusted	190,312,109	166,348,909	14.4%
ENDING NET POSITION	$ 191,822,336	$ 190,474,016	0.7%

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- Total net position for the STRP increased by $1.3 billion or 0.7 percent over results at June 30, 2014, to $191.8 billion.

- CalSTRS investments, excluding securities lending collateral, totaled $193.9 billion at June 30, 2015, an increase of 1.1 percent from $191.9 billion as of prior fiscal year-end. The increase in investments was primarily due to modest investment returns covering the difference between contributions and benefit payments, both of which increased over the prior year.

- Net pension and OPEB obligation increased by $155.6 million or 269.3 percent. This increase is primarily a result of CalSTRS implementation of GASB 68 where CalSTRS recognized its proportionate share of the State's net pension liability amounting to $145.3 million. In addition to the increase in net pension and OPEB obligation, both deferred outflows and inflows of resources increased by $16.4 million and 27.1 million, respectively, as a result of this implementation.

- As of June 30, 2015, the net pension liability for the State Teachers' Retirement Plan increased by $8.9 billion to $67.3 billion due to lower investment returns during fiscal year ended June 30, 2015 as compared to last year.

  The June 30, 2014 funding valuation shows a $72.7 billion unfunded actuarial obligation of the DB Program compared to $73.7 billion unfunded actuarial obligation as of June 30, 2013. The improved position of the DB Program is due to strong investment returns during fiscal year ended June 30, 2014.

  Although the net pension liability and the unfunded actuarial obligation are both determined using the June 30, 2014 valuation, the net pension liability is adjusted to update the results to the plan's fiscal year end which is June 30, 2015. The difference between net pension liability and unfunded actuarial obligation is explained in detail in the Actuarial Valuation section of the report.

- As of June 30, 2015, the STRP fiduciary net position as a percentage of the total pension liability was approximately 74 percent compared to 77 percent as of June 30, 2014. See Note 3 and Schedule II for additional information. As discussed above, the primary reason for the increase in the net pension liability is the underperformance of investments earnings as compared to the assumed rate of return.

- Total contributions for the current fiscal year increased by $694.0 million (11.7 percent) as a result of increases in employer contributions by $405.6 million (17.9 percent), member contributions by $246.1 million (10.9 percent) and state contributions by $42.3 million (3.1 percent). The increases are due to increases in both creditable compensation and contribution rates implemented through AB 1469.

- Net investment income for the STRP decreased by $22.8 billion or 75.0 percent to $7.6 billion due to modest investment returns this year as compared to the robust returns of the prior year.

- Benefit payments for the STRP increased by $549.3 million or 4.6 percent to $12.5 billion, reflecting an increase in the number of retirees and beneficiaries. This benefit payment is typically the single retirement benefit CalSTRS members receive as they do not participate in Social Security.

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- Refunds of contributions decreased by 18.5 percent from $107.6 million to $87.7 million. Refund requests and amounts fluctuate year to year due to changing demographic trends (for example, mortality rates) and economic conditions (for example, employment rates).

In July 2014, Moody's Investors Service upgraded the issuer rating of CalSTRS from Aa3 to Aa2 and affirmed the short-term issuer rating at P-1. Throughout fiscal year 2014-15, CalSTRS maintained its Standard and Poor's long-term issuer credit rating of AA- and short-term rating of A-1+. In May 2015, Standard and Poor's upgraded the long-term outlook to positive from stable.

INVESTMENTS

CalSTRS primary goal is to maintain a financially sound retirement system. CalSTRS investment philosophy is "long-term patient capital" — investing for long-term net cash flows and capital gain potential at a reasonable price. The fiscal year 2014-15 goals and targets for the investments were to:

1. Achieve an absolute return of 7.5 percent and/or outperform the benchmark
2. Outperform the Total Fund Policy benchmark and add additional 60 basis points of extra return without excess risk
3. Aspire to be cost effective with tight operational internal controls
4. Maximize risk-adjusted returns to meet CalSTRS obligation to pay benefits
5. Expand internal management of public assets
6. Provide stable cash flows
7. Reinforce CalSTRS reputation as a global leader in corporate governance

CalSTRS uses a time-weighted return methodology to calculate returns for portfolio performance purposes. For fiscal year 2014-15, CalSTRS earned an approximate 4.8 percent one-year return calculated on a gross of fees basis. The resulting one-year performance is below the actuarially assumed 7.5 percent rate of return. CalSTRS' returns reflect the following longer-term performance:

- 12.3 percent over three years
- 12.1 percent over five years
- 7.0 percent over 10 years
- 7.8 percent over 20 years
- 8.4 percent over 25 years

The money-weighted return net of all investment expenses based on financial statement values reflects an approximate 4.1 percent one-year return as of June 30, 2015. The money-weighted return measures the overall performance of the pension plan factoring in the impact of cash flows. Differences in the money-weighted and time-weighted returns are caused by the inherent variations in the methodology and inputs of the two calculations as well as the quarter lag in the annual performance data for private assets in the time-weighted performance calculation.

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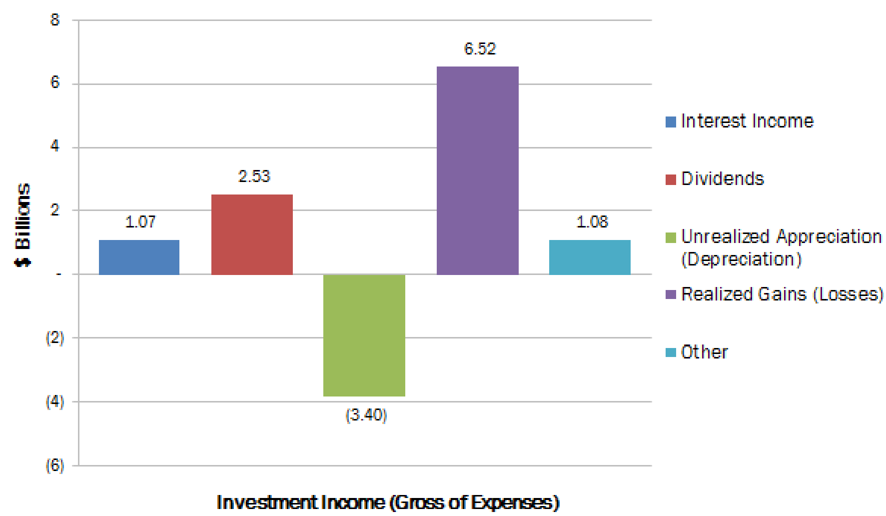
The graph below shows a detailed view of the sources of investment income, excluding securities lending income, based on the Statement of Changes in Fiduciary Net Position.

Sources of Investment Income

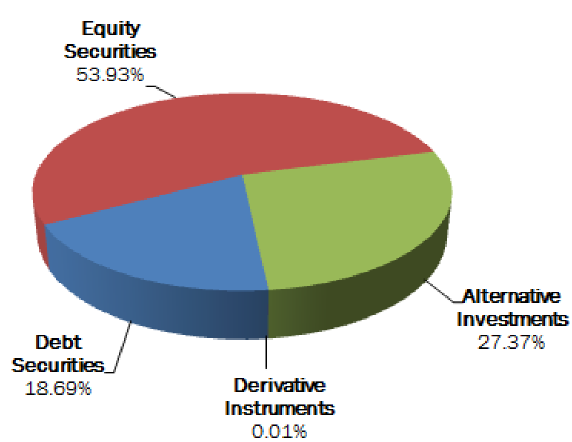


CalSTRS investments earn income in the form of interest and dividends from holding fixed income securities and various types of equity interests in public companies, limited partnerships, and co-investments. Unrealized appreciation and depreciation is generated by period over period valuation fluctuation in all types of investments. Realized gains and losses are generally a result of investment sales, write-offs and re-organizations. Other income consists primarily of income from term loans and securities litigation.

ASSET ALLOCATION AND PERFORMANCE

The graph below presents total fund investments, excluding securities lending collateral and obligations, based on asset classification within the Statement of Fiduciary Net Position as of June 30, 2015.

Statement of Fiduciary Net Position Investment Distribution



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The table below displays the distribution of investment assets based on the portfolio asset allocation as compared to the classification within the Statement of Fiduciary Net Position as of June 30, 2015:

Portfolio Allocation Versus Financial Statement Classification

Portfolio Allocation		Financial Statement Classification	
Asset Class	Asset Allocation	Investments	% of Asset Class
Global Equity	57.4%	Equity Securities	94.4%
		Debt Securities	1.1%
		Alternative Investments	4.2%
		Other*	0.3%
Fixed Income	15.7%	Debt Securities	101.2%
		Equity Securities	0.1%
		Other*	-1.3%
Real Estate	12.7%	Alternative Investments	99.1%
		Debt Securities	0.8%
		Equity Securities	0.1%
Private Equity	10.1%	Alternative Investments	98.9%
		Debt Securities	0.4%
		Equity Securities	0.2%
		Other*	0.5%
Liquidity	1.8%	Debt Securities	100.0%
Absolute Return	1.5%	Alternative Investments	61.6%
		Debt Securities	8.2%
		Equity Securities	26.6%
		Derivative Instruments	0.2%
		Other*	3.4%
Inflation Sensitive	0.8%	Alternative Investments	64.0%
		Debt Securities	35.9%
		Other*	0.1%
Total Fund	100.0%		

* Other consists of cash, payables and receivables that are reflected as such on the Statement of Fiduciary Net Position and any investment categories less than 0.1%.

Global Equities – Equity Securities

Representing 57.4 percent of the total investments, the Global Equity Portfolio is comprised of U.S., Non-U.S. Developed Countries and Emerging Markets equity securities. Corporate governance funds are included within the Global Equity Portfolio and are classified as Alternative Investments on the financial statements as reflected in the table above. The Global Equity Policy sets allocation targets of 67 percent and 33 percent to U.S. securities and Non-U.S. securities, respectively. Approximately 61 percent of the Global Equity assets are managed externally, while CalSTRS investment staff managed the remaining 39 percent.

As of June 30, 2015, the STRP held $104.6 billion in equity securities across all portfolios, an increase of 2.4 percent over last year primarily due to the performance of the global equity markets. Alongside increased overall volatility, global equity markets generated single-digit positive returns while the S&P 500 reached new highs. During the fiscal year, the Federal Reserve ended its quantitative easing program; however, other central banks around the world continued to ease monetary policy. Macroeconomic news from the Eurozone brought about pressure in the markets as the Greek debt crisis escalated.

Emerging markets produced negative returns for the fiscal year largely due to geopolitical tensions

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such as the Russian military intervention in Ukraine and speculation on future U.S. monetary policy. The speculation led to continued strength in the U.S. dollar which significantly impacted equity returns. This was primarily noticeable in the Russian and Latin American emerging markets where positive single digit returns in local currency terms were reduced to significant double digit losses in U.S. dollar terms.

<u>Fixed Income – Debt Securities</u>
The Fixed Income Portfolio is comprised of investment grade and non-investment grade securities, both U.S. dollar based and non-U.S. dollar based. Fixed income assets are primarily managed internally with approximately 83 percent of the portfolio using enhanced core and high yield strategies, while 17 percent is externally managed using broader core plus and high yield strategies.

Debt securities within the fixed income and other portfolios decreased 0.7 percent from $36.5 billion at June 30, 2014 to $36.3 billion, although returns in the global fixed income markets remained mostly positive over the fiscal year. Returns from debt securities are primarily reflected as interest income (please see "Sources of Investment Income" chart at the beginning of the Investments section above).

Over the fiscal year, there were a number of challenges to fixed income investors. Elevated volatility in the markets led investors to move towards riskier underperforming investments in anticipation of their eventual appreciation. Forces driving returns up included the on-going major central banks' policy accommodations, persistent lower oil prices and encouraging updates from Europe, such as the upward revision for inflation expectations.

The 10-year Treasury yield rose in the final quarter of the fiscal year to 2.4 percent as a result of the Federal Reserve's warning to expect interest rate hikes. Corporate bond markets broadly progressed through the beginning of the year and softened as yield curves in the U.S., Germany and U.K. steepened.

<u>Alternative Investments</u>
Alternative Investments consist of investments in private equities, real estate, and infrastructure, innovation and corporate governance funds. The decrease of 0.3 percent from $53.3 billion at June 30, 2014 to $53.1 billion at June 30, 2015 is primarily due to the decrease of 9.8 percent from $29.6 billion to $26.7 billion in privately-held equities and debt. CalSTRS allocation in the Private Equity asset class declined from 11.5 percent to 10.1 percent over the fiscal year due to increasing distributions from private equity funds.

The Private Equity Portfolio is comprised of limited partnerships and co-investments focusing on commitments to domestic and non-U.S. partnerships as identified in the Private Equity Policy. Types of investment strategies include leveraged buyouts, venture capital, expansion capital, distressed debt and mezzanine investments.

Substantial fees and costs are associated with investments in the Private Equity Portfolio. Consequently, emphasis is placed on negotiating and monitoring the direct and indirect costs of each limited partnership investment. Residual investments in debt and equity securities within the Private Equity Portfolio are a result of restructuring and re-organization of limited partnerships.

For the fiscal year, private equity returns were strong relative to public equities. This performance is the key reason for investors' continued desire to increase investments in the asset class. The market environment has been better-suited to selling (rather than buying) investments due to relatively high valuations and readily available financing at low interest rates. The result has been continued strong distributions from private equity investments while the pace of new investments has been restrained.

As investors are receiving more distributions from private equity investments than ever before, confidence in private equity investments is on the rise. Price changes in the public equity markets have generally rippled through the privately held assets over subsequent quarters and price changes experienced in the public markets, either

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positive or negative, have generally translated to the private equity markets at lesser magnitudes.

The Real Estate Portfolio is comprised of investments in wholly-owned properties, joint venture investments, co-investments and commingled funds. Approximately 11.5 percent of the investment portfolio represents non-U.S. assets. Leverage has been reduced to levels set by the board in policy. Core portfolio leverage is 34.2 percent as of June 30, 2015. To more closely align the interests of CalSTRS and the real estate managers, emphasis is placed on negotiating, monitoring, and managing the direct costs associated with each real estate investment.

Real estate assets increased 11.4 percent from $23.7 billion at June 30, 2014 to $26.4 billion at June 30, 2015, reflecting the increase in the allocation to the Real Estate asset class and positive returns in the real estate markets. As the economy moved into an upswing with robust increases in job growth, real estate investments reported gains in all sectors.

Sales along with demand for space rose on a year over year basis indicating increased activity in all property types. As a result of strong performance over several quarters, institutional appetite for real estate remained high. Commercial property prices kept rising with an uneven distribution; office and apartment prices rose above their pre-recession peak; and retail, suburban office and industrial prices remained below levels of previous highs. Real estate construction activity was on the rise, although still below levels from decades ago. Supply will threaten to flood markets if construction activities rise significantly further.

Absolute Return - Derivative Instruments
Derivative instruments decreased 41.7 percent from $14.9 million at June 30, 2014 to $8.7 million at June 30, 2015 due to value fluctuations and expirations of contracts. For more information on Derivative instruments please see Note 2 within the notes to the basic financial statements.

Asset/Liability Study
CalSTRS conducts a full asset/liability (A/L) study once every three years or more frequently if there is a significant change in the assets or liabilities, with the key goal of developing an asset allocation policy that maximizes the likelihood that the investment portfolio's assets will, over the planning horizon, fund plan benefits. The most recent study was conducted in 2012-13.

The current study, which began in February 2015, is occurring over several Investment Committee meetings and is scheduled to conclude at the November 2015 meeting with the adoption of capital markets assumptions and strategic asset allocation targets and ranges into the Investment Policy and Management Plan (IPMP). The revised IPMP will reflect the new long-term asset targets and set the overall risk limit or acceptable risk parameters for the investment portfolio. Detailed information regarding the A/L study can be found in the board meeting agendas.

For additional information on CalSTRS investments, please refer to the Notes to the Basic Financial Statements.

PENSION ACTUARIAL VALUATION

As a result of GASB 67 and 68, CalSTRS has separate actuarial valuations performed for funding and financial reporting purposes.

PENSION SYSTEM FUNDING ACTUARIAL VALUATIONS
The purpose of the actuarial valuations for funding the programs within the STRP is to guide decisions necessary to sustain the long-term viability of the programs. Specifically, the primary purpose is to analyze the sufficiency of future contributions from members, employers and the state to meet current and future obligations. Separate funding actuarial valuations are performed for the DB, DBS, and Cash Balance Benefit (CBB) programs.

Historically, CalSTRS investment income has contributed approximately 62 percent of the total inflows to the STRP. Currently the investment rate of return and discount rate assumption for funding actuarial valuations is 7.5 percent (7.0 percent for CBB). The investment return assumption, according to actuarial principles, should be based on an estimated long-term investment yield for the STRP, with consideration given to the nature and mix of current and expected plan investments, and is the basis for determining the actuarial value of assets.

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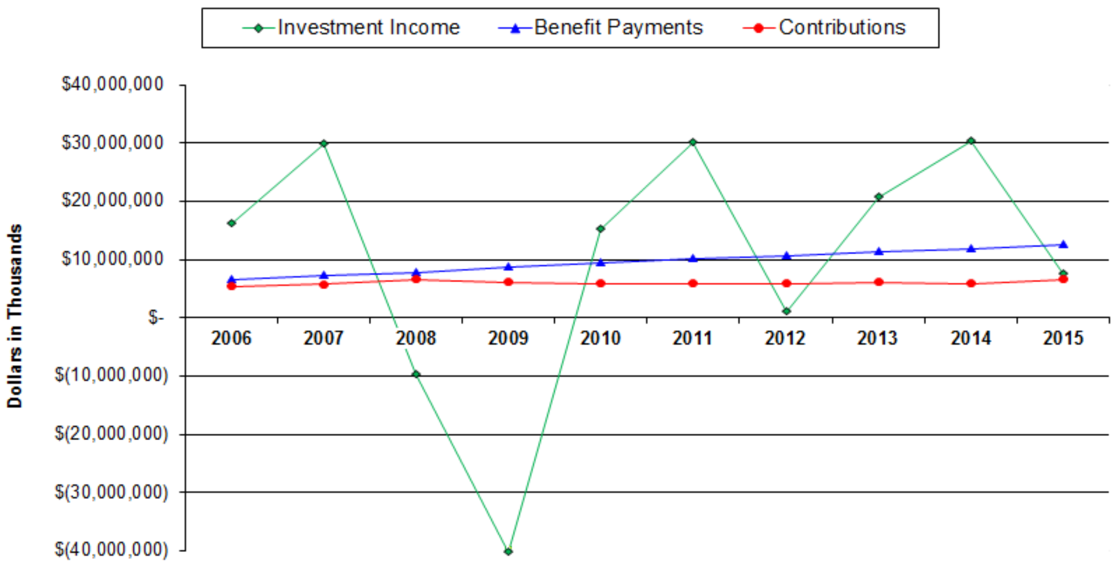
The investment return assumptions are developed by CalSTRS investment and actuarial consultants and are adopted by the board. The following chart is a 10-year comparison of investment income (including unrealized gains and losses), employer contributions and benefit payments.

STRP Investment Income, Contributions and Benefit Payments
(Years ended June 30)



The above graph shows there has been a growing gap between contributions and benefit payments, known as the funding gap. During fiscal year 2014-15, the funding gap actually decreased by 2.4 percent as a result of contribution increases included in AB 1469. While benefit payments increased 4.6 percent over last fiscal year, contributions increased 11.7 percent. Contributions will continue to increase due to AB 1469 and the Unfunded Actuarial Accrued Liability (UAAL) is scheduled to shrink to zero by the year 2046.

The actuarial assumptions and methods used in the June 30, 2014 actuarial valuation were based on the 2010 Actuarial Experience Analysis adopted by the board in February 2012. The most recent actuarial valuation indicates that the DB Program has 68.5 percent of the funds needed to pay the actuarial cost of the benefits accrued as of June 30, 2014. This is an increase of 1.6 percent from the estimated 66.9 percent funded ratio as of June 30, 2013. The actuarial valuation also indicates that as of June 30, 2014, the CBB Program had a funded ratio of 121.7 percent. This is an increase of 11.2 percent from the June 30, 2013 actuarial valuation. Additionally, the valuation indicates that as of June 30, 2014, the DBS Program had a funded ratio of 121 percent, an increase of 11.4 percent from the June 30, 2013 actuarial valuation.

Interest is credited to the nominal DBS and CBB program accounts at the minimum guaranteed annual rate established by the board prior to each plan year, which was 3.55 percent for the fiscal year ended June 30, 2015. The board may credit additional earnings to members' nominal accounts if actual investment earnings exceed the minimum guaranteed annual rate and meet criteria set out by the board. In June 2015, the board granted additional earnings credit for the DBS and CBB programs totaling $347.8 million and $7.5 million, respectively. Awarding the credits reduced the funded ratios cited above from 121 percent to 116.3 percent for the DBS Program and from 121.7 percent to 117.1 percent for the CBB

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Program. Refer to Note 1 for additional information.

FINANCIAL REPORTING VALUATION

The actuarial valuation for financial reporting focuses on the obligation an employer incurs to employees through the employment-exchange process. The primary purpose of the valuation for financial reporting is to provide a consistent, standardized methodology that allows comparability of data and increased transparency of the pension liability across plans. To achieve this, GASB requires a different approach for determining the reported net pension liability (NPL), as compared to UAAL.

There are considerable differences between the UAAL and NPL. Conceptually, the UAAL is the actuary's measure of the additional amount of assets needed to pay all benefits earned to date by current plan members, while the NPL is an accrual calculation that reflects future benefits earned by plan members through the employment-exchange process in excess of the plan's fiduciary net position.

With the provision of additional member, employer, and General Fund contributions effective July 1, 2014, CalSTRS does not project a depletion of assets. CalSTRS discounted all future obligations for the STRP using the long-term rate of return on plan assets gross of administrative costs (currently 7.6 percent). Based on that assumption, the STRP has an NPL of $67.3 billion as of June 30, 2015.

CalSTRS Pension2 PROGRAM

CalSTRS Pension2 (Pension2) offers Internal Revenue Code (IRC) section 403(b) and 457 tax-deferred defined contribution plans. In September 2014, administration and trustee services over Pension2 transitioned from TIAA-CREF to Voya Financial (Voya). Voya's administrative and trustee services provide new features and support at reduced administrative fees.

Net position for Pension2 increased by $53.8 million or 9.8 percent as combined contributions and net investment income of $96.3 million exceeded distributions and administrative expenses of $42.7 million. Contributions increased by 9.2 percent from fiscal year 2013-14 due to an increase in plan participants, and net investment income decreased $48.0 million or 70.7 percent as a result of lower investment returns.

TEACHERS' DEFERRED COMPENSATION FUND

The Teachers' Deferred Compensation Fund (TDCF) is a trust fund established to account for ancillary activities associated with various deferred compensation plans and programs offered by CalSTRS. The TDCF received fee revenues and interest of $1.1 million, a decrease of $0.2 million or 13.8 percent from the prior year. The decrease is primarily due to reduced member fees, some of which was a result of the transition of the Los Angeles Unified School District (LAUSD) 457 plan to a different record keeper.

As of June 30, 2015, TDCF is in a net deficit position amounting to $64 thousand as a result of an accrual adjustment for the implementation of GASB 68.

TEACHERS' HEALTH BENEFIT FUND

The Teachers' Health Benefits Fund (THBF) is a trust fund created to administer health benefit programs established by statute. The Medicare Premium Payment Program (MPP Program), the only program within the fund, pays Medicare Part A premiums and surcharges and Part B surcharges for retired members of the DB Program who meet certain eligibility criteria.

Contributions decreased by $2.9 million to $30.5 million during fiscal year 2014-15. The THBF paid benefits of $30.6 million which is a 6.2 percent decrease from the $32.6 million in benefits paid in the prior year. Since the evaluated amount needed to fund the MPP Program in its entirety has not been transferred to the THBF, the funded ratio from a financial reporting perspective is 0.2 percent as of June 30, 2014, the most recent actuarial valuation date. See Note 4 for additional information.

LEGISLATIVE UPDATE

Consistent with CalSTRS mission, the board authorizes staff to engage in the legislative process to prevent and remove obstacles that impair the ability of CalSTRS members to achieve financial security.

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Legislative topics related to CalSTRS during the period ended June 30, 2015 included the following:

Board-sponsored AB 736 (Cooley) adds CalSTRS Chief Operating Officer and Chief Financial Officer to those positions for which the Teachers' Retirement Board has the authority to establish desired competencies, set terms and conditions of employment, and set the compensation levels.

SB 185 (De León) requires the CalSTRS and CalPERS boards to engage with thermal coal companies and to divest the public employee retirement funds of any investments in thermal coal companies and prohibits additional or new investments or the renewal of existing investments in thermal coal companies.

H.R. 973 (Davis) repeals the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) of the Social Security Act.

H.R. 711 (Brady) establishes a new formula for the treatment of non-covered earnings in determining Social Security benefits to replace the WEP for individuals who turn age 62 after 2016. It also prescribes a second formula to lessen the effects of the WEP for current beneficiaries and directs the Commissioner of Social Security to recover overpayments from certain individuals.

OVERVIEW OF FINANCIAL STATEMENTS

Management's Discussion and Analysis is also an introduction to CalSTRS basic financial statements. CalSTRS financial statements include the following components:

1. The Statement of Fiduciary Net Position
2. The Statement of Changes in Fiduciary Net Position
3. Notes to the Basic Financial Statements
4. Required Supplementary Information - Unaudited
5. Other Supplemental Information

THE STATEMENT OF FIDUCIARY NET POSITION

The Statement of Fiduciary Net Position presents information on all of CalSTRS assets and liabilities, with the difference between the two reported as net position. Over time, the increase or decrease in net position serves as an indicator of CalSTRS financial condition and its ability to fund future benefit payments.

THE STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

The Statement of Changes in Fiduciary Net Position shows how CalSTRS net position changed during the fiscal year, reflecting contributions earned, benefit payments made, investment returns and the costs of plan administration.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The Notes to the Basic Financial Statements provide information essential to a full understanding of fiduciary fund financial statements. The type of information provided in each of the notes is as follows:

- Note 1 provides a general description of CalSTRS, as well as a concise description of each of the plans and funds administered by CalSTRS.
- Note 2 provides a summary of significant accounting policies, including the basis of accounting for CalSTRS, management's use of estimates, cash and investment accounting policies, and other significant accounting policies.
- Note 3 provides a summary of the net pension liability of employers and the nonemployer contributing entity in accordance with GASB 67, *Financial Reporting for Pension Plans*.
- Note 4 provides a summary of CalSTRS funded status for the Medicare Premium Payment Program in accordance with GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.
- Note 5 provides information related to deposits and investments including disclosures required by GASB 28, *Accounting and Financial Reporting for Securities Lending Transactions,* GASB 38, *Certain Financial Statement Note Disclosures,* GASB 40, *Deposit and*

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Investment Risk Disclosures, GASB 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB 67, *Financial Reporting for Pension Plans.* This note discloses information about CalSTRS investment performance and risks related to credit (including custodial credit and concentrations of credit risk), interest rate and foreign currency. In an effort to provide increased visibility to investment holdings, Note 5 also includes a Schedule of Investments that discloses the types of investments within each broad investment category.

- Note 6 generally describes potential contingencies of CalSTRS.
- Note 7 provides a summary of CalSTRS significant commitments.
- Note 8 provides a summary of new accounting and financial reporting pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION
The Required Supplementary Information consists of five schedules and related notes on the State Teachers' Retirement Plan's net pension liability and the other postemployment benefit plan's funding progress. It also provides a history of contributions from employers and the nonemployer contributing entity. These schedules are intended to assist the reader in understanding the net pension liability of the STRP and the funded status of the Medicare Premium Payment Program. The information available in the Required Supplementary Information section includes:

- Schedule I – Schedule of Changes in Net Pension Liability of Employers and Nonemployer Contributing Entity
- Schedule II – Schedule of Net Pension Liability of Employers and Nonemployer Contributing Entity
- Schedule III – Schedule of Contributions from Employers and Nonemployer Contributing Entity
- Schedule IV – Schedule of Money-Weighted Investment Returns
- Schedule V – Schedule of Funding Progress (Medicare Premium Payment Program only)

OTHER SUPPLEMENTAL INFORMATION
Other Supplemental Information includes details on administrative expenses, investment expenses, and consultant and professional services expenses. The schedules available in the Other Supplemental Information section include:

- Schedule VI – Schedule of Administrative Expenses
- Schedule VII – Schedule of Investment Expenses
- Schedule VIII – Schedule of Consultant and Professional Services Expenses

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of CalSTRS finances. For questions concerning the information in this report or for additional information, contact CalSTRS, P.O. Box 15275, Sacramento, CA 95851-0275.

Respectfully submitted,

Robin Madsen
Chief Financial Officer

STATEMENT OF FIDUCIARY NET POSITION

California State Teachers' Retirement System

Statement of Fiduciary Net Position

As of June 30, 2015 (with Comparative Totals as of June 30, 2014)

(Dollars in Thousands)

	State Teachers' Retirement Plan	Pension2		Teachers' Health Benefits	Teachers' Deferred Compensation	Comparative Totals	
		403 (b) Plan	457 Plan			2015	2014
Assets							
Investments, at fair value:							
Debt Securities	$ 36,251,711	$ 229,913	$ 8,356	$ 601	$ 1,180	$ 36,491,761	$ 36,719,008
Equity Securities	104,580,292	345,617	12,405	-	-	104,938,314	102,429,526
Alternative Investments	53,089,986	-	-	-	-	53,089,986	53,273,293
Derivative Instruments	8,718	-	-	-	-	8,718	14,949
Securities Lending Collateral	18,029,379	-	-	-	-	18,029,379	22,303,191
Total Investments	**211,960,086**	**575,530**	**20,761**	**601**	**1,180**	**212,558,158**	**214,739,967**
Cash	359,992	-	-	-	-	359,992	287,967
Receivables:							
Investments Sold	2,996,767	-	-	-	-	2,996,767	2,237,745
Foreign Currency Forward Contracts (net)	87,069	-	-	-	-	87,069	-
Interest and Dividends	377,730	-	-	1	1	377,732	399,426
Member, Employer and State	501,195	5,677	384	-	-	507,256	523,125
Loan Receivable	34,294	1,206	59	-	-	35,559	22,005
Other	10,081	-	-	1	244	10,326	32,818
Total Receivables	**4,007,136**	**6,883**	**443**	**2**	**245**	**4,014,709**	**3,215,119**
Other Assets:							
Capital Assets, Net of Accumulated Depreciation	225,973	-	-	-	-	225,973	228,362
Other	194	-	-	-	-	194	718
Total Other Assets	**226,167**	**-**	**-**	**-**	**-**	**226,167**	**229,080**
Total Assets	**216,553,381**	**582,413**	**21,204**	**603**	**1,425**	**217,159,026**	**218,472,133**
Deferred Outflows of Resources	**16,398**	**-**	**-**	**35**	**68**	**16,501**	**-**
Total Assets and Deferred Outflows of Resources	**216,569,779**	**582,413**	**21,204**	**638**	**1,493**	**217,175,527**	**218,472,133**
Liabilities							
Investments Purchased Payable	3,725,966	-	-	-	-	3,725,966	2,901,762
Foreign Currency Forward Contracts (net)	-	-	-	-	-	-	6,488
Loan payables	1,447,405	-	-	-	-	1,447,405	944,269
Benefits in Process of Payment	1,178,524	-	-	-	-	1,178,524	1,121,034
Net Pension and OPEB Obligation	213,427	-	-	489	784	214,700	57,800
Other	111,854	994	200	29	679	113,756	105,521
Securities Lending Obligation	18,043,187	-	-	-	-	18,043,187	22,311,298
Total Liabilities	**24,720,363**	**994**	**200**	**518**	**1,463**	**24,723,538**	**27,448,172**
Deferred Inflows of Resources	**27,080**	**-**	**-**	**60**	**94**	**27,234**	**-**
Total Liabilities and Deferred Inflows of Resources	**24,747,443**	**994**	**200**	**578**	**1,557**	**24,750,772**	**27,448,172**
Net Position Restricted for Pension/Other Postemployment Benefits	**$191,822,336**	**$ 581,419**	**$ 21,004**	**$ 60**	**$ (64)**	**$192,424,755**	**$191,023,961**

The accompanying notes are an integral part of these statements.

California State Teachers' Retirement System
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2015
(with Comparative Totals for the Fiscal Year Ended June 30, 2014)
(Dollars in Thousands)

	State Teachers' Retirement Plan	Pension2		Teachers' Health Benefits	Teachers' Deferred Compensation	Comparative Totals	
		403 (b) Plan	457 Plan			2015	2014
Additions							
Contributions:							
Member Contributions	$ 2,509,712	$ 72,042	$ 4,025	$ -	$ -	$ 2,585,779	$ 2,333,388
Employer Contributions	2,677,815	301	71	30,527	-	2,708,714	2,305,763
State of California	1,425,796	-	-	-	-	1,425,796	1,383,468
Total contributions	**6,613,323**	**72,343**	**4,096**	**30,527**	**-**	**6,720,289**	**6,022,619**
Investment Income (Loss):							
Net Appreciation in Fair Value of Investments	3,129,803	9,928	222	-	-	3,139,953	26,154,356
Interest, Dividends and Other	4,675,175	9,435	325	-	1	4,684,936	4,515,057
Securities Lending Income	106,926	-	-	-	-	106,926	104,709
Less Investment Expenses:							
Cost of Lending Securities	(13,299)	-	-	-	-	(13,299)	(14,221)
Borrowing Costs	(26,616)	-	-	-	-	(26,616)	(20,161)
Other Investment Expenses	(260,345)	-	-	-	-	(260,345)	(269,887)
Net Investment Income	**7,611,644**	**19,363**	**547**	**-**	**1**	**7,631,555**	**30,469,853**
Other Income	3,935	91	2	-	1,072	5,100	3,324
Total Additions	**14,228,902**	**91,797**	**4,645**	**30,527**	**1,073**	**14,356,944**	**36,495,796**
Deductions							
Retirement, Disability, Death and Survivor Benefits	12,284,071	-	-	-	-	12,284,071	11,725,324
Premiums Paid	-	-	-	30,615	-	30,615	32,632
Distributions and Withdrawals	-	32,648	807	-	-	33,455	22,531
Purchasing Power Benefits	192,831	-	-	-	-	192,831	202,232
Refunds of Member Contributions	87,694	7,753	-	-	-	95,447	110,168
Administrative Expenses	145,239	1,405	47	360	996	148,047	156,538
Other Expenses	8,840	-	-	-	14	8,854	8,802
Total Deductions	**12,718,675**	**41,806**	**854**	**30,975**	**1,010**	**12,793,320**	**12,258,227**
Net Increase (Decrease) in Net Position	**1,510,227**	**49,991**	**3,791**	**(448)**	**63**	**1,563,624**	**24,237,569**
Net Position Restricted for Pension/Other Postemployment Benefits							
Beginning of the Year - as previously reported	190,474,016	531,428	17,213	870	434	191,023,961	166,786,392
Adjustment for application of GASB 68 (Note 2)	(161,907)	-	-	(362)	(561)	(162,830)	-
Beginning of the year - as adjusted	**190,312,109**	**531,428**	**17,213**	**508**	**(127)**	**190,861,131**	**166,786,392**
End of the year	**$ 191,822,336**	**$ 581,419**	**$ 21,004**	**$ 60**	**$ (64)**	**$ 192,424,755**	**$ 191,023,961**

The accompanying notes are an integral part of these statements.

California State Teachers' Retirement System
Notes to the Basic Financial Statements

1. DESCRIPTION OF CalSTRS AND CONTRIBUTION INFORMATION

The California State Teachers' Retirement System (CalSTRS) administers a hybrid retirement system consisting of a defined benefit plan, two defined contribution plans and another postemployment benefit plan:

- State Teachers' Retirement Plan (STRP)
- CalSTRS Pension2® Program (Internal Revenue Code 403(b) and 457 plans)
- Teachers' Health Benefits Fund (THBF)
- Teachers' Deferred Compensation Fund (TDCF)

CalSTRS provides pension benefits, including disability and survivor benefits, to California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system. The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established these plans and CalSTRS as the administrator. The terms of the plans may be amended through legislation.

CalSTRS is a component unit of the State of California. These financial statements include only the accounts of CalSTRS. The state includes CalSTRS various plans and funds as fiduciary funds in its financial statements.

The Teachers' Retirement Board (board) has exclusive control over the administration of the retirement system plans and the investment of funds. The board makes rules, sets policies and has the power and authority to hear and determine all facts pertaining to application for benefits under the retirement system. It is comprised of 12 members:

- Five members appointed by the Governor: one member currently serving on a school board, one retired CalSTRS member and three public members;

- Four ex-officio members: the Superintendent of Public Instruction, the State Treasurer, the State Controller and the Director of Finance; and

- Three members elected by CalSTRS membership.

A new governor-appointed school board representative joined the board in April 2015, and one governor-appointed position remains open as of June 30, 2015.

STATE TEACHERS' RETIRMENT PLAN

The State Teachers' Retirement Plan (STRP) is a multiple-employer, cost-sharing defined benefit plan comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

STRP DEFINED BENEFIT PROGRAM

The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS

- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS

At June 30, 2015, there were 1,727 contributing employers (charter schools, school districts, community college districts, county offices of education and regional occupational programs). Membership is mandatory for all employees meeting certain statutory requirements and optional for all other employees performing creditable service activities.

California State Teachers' Retirement System
Notes to the Basic Financial Statements

At June 30, 2014, membership consisted of:

	June 30, 2014
Active Members	
Vested	321,875
Nonvested	99,012
Inactive Members	
Vested	36,344
Nonvested	146,471
Retirees and Benefit Recipients	275,627
Total Members, Retirees and Beneficiaries	879,329

Information above is the most recent available as of June 30, 2015.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to their survivors or beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas, which are noted below.

CalSTRS 2% at 60

- CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

- CalSTRS calculates retirement benefits based on one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer entered into, extended, renewed or amended an agreement prior to January 1, 2014, to elect to pay the additional benefit cost for all of its classroom teachers. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months based on the creditable compensation that a member could earn in a school year while employed on a full-time basis. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

- For 2015, the limit on compensation that can be counted towards a member's benefit is $265,000, if hired on or after July 1, 1996. The limit is increased based on cost-of-living increases calculated per Internal Revenue Code Section 401(a)(17). No contributions are paid by the member, employer or the state on compensation in excess of the limit, and any compensation beyond the limit is excluded from determining final compensation.

- Final compensation is based on different forms of compensation, including salary and certain other types of remuneration. Other types of compensation, such as allowances, cash in lieu of fringe benefits and compensation for unused accumulated leave are not creditable compensation and do not count toward any CalSTRS benefit program. Limited- period compensation and compensation determined to have been paid to enhance a benefit are creditable to the DBS Program.

- Members who retire on or after January 1, 2001, and accumulated at least 30 years of

California State Teachers' Retirement System
Notes to the Basic Financial Statements

credited service by December 31, 2010, receive a longevity bonus of $200, $300 or $400 per month for 30, 31 or 32 or more years of credited service, respectively.

CalSTRS 2% at 62

- CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

- All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service.

- The limit on creditable compensation that can be counted towards a member's benefit is based on 120 percent of the Social Security wage base in effect on January 1, 2013. The limit is adjusted each fiscal year based on the changes in the Consumer Price Index. In fiscal year 2014–15, the limit was $137,941.

- Only compensation paid in cash by an employer, pursuant to a publicly available written contractual agreement, for each pay period in which creditable service is performed is creditable to CalSTRS benefit programs for CalSTRS 2% at 62 members. Other compensation, such as allowances, cash in lieu of fringe benefits, limited-period compensation and compensation determined to have been paid to enhance a benefit, are not creditable to any CalSTRS benefit program.

The following provisions apply to both CalSTRS 2% at 60 and 2% at 62 members:

- After earning five years of credited service, members become 100 percent vested in retirement benefits.

- After five years of credited service, a member (Prior to age 60 if under Coverage A, no age limit if under Coverage B, as defined in Education Code Sections 24001 and 24101, respectively) is eligible for disability benefits of up to 50 percent of final compensation plus 10 percent of final compensation for each eligible child, up to a maximum addition of 40 percent. The member must have a disability that can be expected to last continuously for at least 12 months to qualify for a benefit.

- Any compensation for service in excess of one year in a school year due to overtime or working additional assignments is credited to the Defined Benefit Supplement Program so long as it is under the creditable compensation limit.

- A family benefit is available if an active member dies and has at least one year of credited service.

- Members' accumulated contributions are refundable with interest upon separation from CalSTRS. The board determines the credited interest rate each fiscal year. For the year ended June 30, 2015, the rate of interest credited to members' accounts was 0.32 percent.

- There is a postretirement annual benefit adjustment increase of 2 percent per year on a simple (rather than compound) basis. This benefit is vested for members who pay the higher contribution rates enacted in AB 1469 or retired in 2014.

- The member's benefit is reduced dollar for dollar, regardless of age, for the first 180 days after retirement if the member performs activities in the public schools that could be creditable to CalSTRS, unless the governing body of the school district takes specified actions with respect to a member who is above normal retirement age.

- Any enhancements to the CalSTRS Defined Benefit Program made on or after January 1, 2013, apply only to service performed on or after the effective date of the enhancement.

California State Teachers' Retirement System
Notes to the Basic Financial Statements

- Defined Benefit Program benefits must be forfeited by any CalSTRS member who is convicted of committing a felony in the course of his or her official duties, including specifically a felony involving a child with whom the member had contact as part of the member's official duties.

Purchasing Power Protection
Purchasing power protection is provided to members of the Defined Benefit Program through annual distributions (in quarterly payments) to retired and disabled members and beneficiaries to restore purchasing power up to 85 percent of the initial monthly allowance. Funding for purchasing power protection is from School Lands Revenue generated from the use of school lands (land granted to California by the federal government to support schools) and lieu lands (properties purchased with the proceeds from the sale of school lands) and from the Supplemental Benefit Maintenance Account (SBMA).

Public Resources Code Section 6217.5 allocates School Lands Revenue to the Teachers' Retirement Fund for purchasing power protection. In addition, Education Code Section 22954 provides a continuous appropriation from the state's General Fund to the SBMA of an amount equal to approximately 2.5 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year, reduced by $72 million. In fiscal year 2014-15, the amount contributed to the SBMA was $582.2 million, excluding School Lands Revenue. Finally, Education Code Section 24413 directs revenues from the sale of school lands related to the Elk Hills Naval Petroleum Reserve to also be deposited into the SBMA. As part of the budget appropriation bill signed into law by the president on December 17, 2014, CalSTRS received the final $15.6 million payment from the sale of the Elk Hills Naval Petroleum Reserve.

Contributions
Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Pursuant to Chapter 47, Statutes of 2014 (AB 1469–Bonta), the CalSTRS member contribution rate increases effective for fiscal year 2014–15 and beyond are summarized in the table below:

Effective Date	2% at 60 Members	2% at 62 Members
July 01, 2014	8.15%	8.15%
July 01, 2015	9.20%	8.56%*
July 01, 2016	10.25%	9.205%*

*The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits. The contribution rate shown in future years assumes no change in normal cost.

California State Teachers' Retirement System
Notes to the Basic Financial Statements

Employers - Pursuant to Chapter 47, Statutes of 2014 (AB 1469–Bonta), CalSTRS employer contribution rate increases effective for fiscal year 2014–15 through fiscal year 2045–46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47*	

* The board has limited authority to adjust employer contribution rates from July 1, 2021, through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the increase to the contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

State - 2.017 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469 – Bonta, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in Education Code Section 22955.1(b). The additional state contribution will increase from 1.437 percent in 2014–15 to 4.311 percent in 2016–17. The increased contributions end as of fiscal year 2046–47.

The CalSTRS state contribution rates effective for fiscal year 2014–15 and beyond are summarized in the table below:

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.517%*

* The board has limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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Receivables for Benefit Enhancements
A school employer may provide, at the employer's cost, an additional two years of service credit to increase the amount of the member's monthly retirement benefit. The cost to the employer may be paid for by the employer in installments not to exceed eight years. If the employer chooses to pay in installments, the employer is charged interest on the unpaid balance at the actuarially assumed rate of return on investments for the Defined Benefit Program (currently 7.5 percent). As of June 30, 2015, the outstanding balance of these receivables was $23.8 million.

STRP DEFINED BENEFIT SUPPLEMENT PROGRAM
The Defined Benefit Supplement Program, established pursuant to Chapter 74, Statutes of 2000 (AB 1509), is a defined benefit pension program that operates within the STRP. All members of the Defined Benefit Program who make contributions to CalSTRS on creditable compensation earned on and after January 1, 2001, have an account under the Defined Benefit Supplement Program and are eligible to receive a Defined Benefit Supplement benefit based on the amount of funds contributed to the Defined Benefit Supplement account. Membership in the Defined Benefit Supplement Program is mandatory.

Interest is credited to the nominal DBS Program accounts at the minimum guaranteed annual rate established by the board prior to each plan year, which was 3.55 percent for the fiscal year ended June 30, 2015. The board may credit additional earnings to members' nominal accounts if actual investment earnings exceed the minimum guaranteed annual rate and meet criteria set out in board policy. In June 2015, the board granted an additional earnings credit (AEC) of 4.5 percent of active and inactive members' June 30, 2014 nominal accounts, for a total value of approximately $347.8 million.

<u>Contributions</u>
Beginning July 1, 2002, for creditable service in excess of one year of service credit within one fiscal year, member contributions of 8 percent and employer contributions of 8 percent are credited to the members' nominal Defined Benefit Supplement Program account (up to the compensation cap). Also, member contributions of 8 percent and employer contributions of 8 percent for compensation as a result of retirement incentives or limited-term enhancements are credited to the members' Defined Benefit Supplement Program accounts for CalSTRS 2% at 60 members.

STRP CASH BALANCE BENEFIT PROGRAM
The Cash Balance Benefit Program, established under Chapter 592, Statutes of 1995 (AB 1298), and subsequently merged into the STRP by Chapter 1048, Statutes of 1998 (SB 2085), is a defined benefit pension program. The Cash Balance Benefit Program is designed for employees of California's public schools who are hired to perform creditable service for less than 50 percent of the full-time equivalent for the position. Participation in the Cash Balance Benefit Program is optional; a school district, community college district, county office of education or regional occupational program may elect to offer the Cash Balance Benefit Program. Under such election, the program will automatically cover each eligible employee, unless the employee elects to participate in the Defined Benefit Program or an alternative plan provided by the employer within 60 days of hire or the election period determined by the employer.

Interest is credited to nominal Cash Balance Benefit Program accounts at the minimum guaranteed annual rate established by the board prior to each plan year, which was 3.55 percent for the year ended June 30, 2015. The board may credit additional earnings to members' nominal accounts if actual investment earnings exceed the minimum guaranteed annual rate and meet criteria set out in board policy. In June 2015, the board granted an AEC of 4 percent of active and inactive participants' June 30, 2014 nominal accounts, for a total value of approximately $7.5 million.

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Contributions

A summary of statutory contribution rates for the Cash Balance Benefit Program is as follows:

Participants	-	4.0 percent of applicable participant's earnings
Employers	-	4.0 percent of applicable participant's earnings

Employers may enter into a collective bargaining agreement to pay different rates if certain minimum conditions are met. At June 30, 2015, there were 33 contributing school districts and 36,530 contributing participants.

STRP REPLACEMENT BENEFITS PROGRAM

The STRP Replacement Benefits Program is an excess benefits arrangement for Defined Benefit Program members that is administered as a qualified excess benefit arrangement through a separate pension program apart from the other three STRP programs. It is established in accordance with Internal Revenue Code (IRC) Section 415(m). IRC Section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan. The limit for individual CalSTRS 2% at 60 members varies based on the age at which they retire. In 2015, the federal dollar limit applicable to a 65-year-old CalSTRS member is $179,609. CalSTRS 2% at 62 members will not receive any benefits in excess of the IRC Section 415(b) limit.

The program is funded as needed. Contributions that would otherwise be credited to the Defined Benefit Program each month are instead credited to the Replacement Benefits Program to fund monthly program costs. Monthly employer contributions are received and paid to members in amounts equivalent to the benefits not paid as a result of IRC Section 415(b), subject to withholding for any applicable income or employment taxes. At June 30, 2015, there were 287 retirees, beneficiaries and non-member spouses receiving benefits from the Replacement Benefits Program.

CalSTRS PENSION2 PROGRAM

Pursuant to Chapter 291, Statutes of 1994 (AB 3064), CalSTRS Pension2 (Pension2) was established to include two tax-deferred defined contribution plans under the IRC sections 403(b) and 457. Voya Financial and TIAA CREF are responsible for administrative services, including custody and record-keeping services, while CalSTRS performs the investment management functions of determining, monitoring and maintaining the plan's investments.

As of June 30, 2015, the IRC 403(b) plan had 9,147 plan participants and 781 participating employers (school districts) with account balances. On the same date, the IRC 457 plan had 477 plan participants and 33 participating employers (school districts) with account balances. Pension2 is available to all full-time California pre-kindergarten through community college district and county office of education employees. Part-time employees' eligibility is determined by their employers. Enrollment in the 457 plan is by employer adoption only. Employee contributions to the plans are voluntary and require no minimum limitations; however, the IRC imposes an annual maximum amount that can be contributed to the plans. Pension2 is not directly affected by the California Public Employee's Pension Reform Act of 2013 (PEPRA). However, according to PEPRA, employers may provide a contribution to a defined contribution plan, such as Pension2, for 2% at 62 member compensation in excess of the compensation cap.

The Pension2 investments are comprised of a selection of mutual funds with underlying investments that include stocks, bonds and real estate investments and guaranteed annuity contracts, which are participant-directed. The Pension2 benefits are the accumulation of contributions and investment earnings credited to the member's account.

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TEACHERS' HEALTH BENEFITS FUND

The Teachers' Health Benefits Fund (THBF) was established pursuant to Chapter 1032, Statutes of 2000 (SB 1435), which also established the Medicare Premium Payment Program (MPP Program), a cost-sharing multiple-employer other postemployment benefit plan, paid from the THBF to eligible retired members of the Defined Benefit Program. At June 30, 2015, there were 7,349 retirees participating in the MPP Program. The number of members who will participate in the program after they retire is unknown because eligibility cannot be pre-determined.

The MPP Program was established to pay Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for Defined Benefit Program members who retired prior to July 1, 2001, and who meet certain other eligibility criteria. Subsequently, the MPP Program has been extended several times. On April 5, 2007, the board extended the MPP Program to members who retired on or before June 30, 2012. Members who retire after June 20, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of the monthly Defined Benefit Program employer contributions. Contributions that would otherwise be credited to the STRP each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

TEACHERS' DEFERRED COMPENSATION FUND

The Teachers' Deferred Compensation Fund (TDCF) was established pursuant to Chapter 655, Statutes of 2006 (SB 1466), and is used to account for ancillary activities associated with various deferred compensation plans and programs offered by CalSTRS to enhance the tax-deferred financial options for the members and their beneficiaries.

The TDCF is funded by the fee revenues received by CalSTRS from deferred compensation plans, a vendor registration program and an employer compliance assistance program.

At the discretion of LAUSD, CalSTRS ceased to provide recordkeeping and administrative services for the LAUSD 457(b) Plan in October 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

CalSTRS maintains its accounting records using the accrual basis of accounting. It recognizes member contributions in the period in which the contributions are earned. Furthermore, CalSTRS recognizes employer and state contributions when earned and the employer or state has made a formal commitment to provide the contributions. Also, CalSTRS recognizes benefits when due and payable in accordance with its retirement and benefits programs. Purchases and sales of investments are recorded on the trade date. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of CalSTRS financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain financial statement amounts and disclosures. Actual results could differ from those estimates.

CASH

Cash held by CalSTRS includes foreign currency, deposits with the State Treasury and master custodian, and cash held at a commercial bank for operational purposes.

INVESTMENTS

Under California Constitution, Article 16, Section 17, and the California Education Code, Part 13 Teachers' Retirement Law, Chapter 4, Section 22250, the board has the sole and exclusive fiduciary responsibility over the assets of the retirement system and to administer the system in a manner that will assure prompt delivery of benefits and related services to the members and their beneficiaries. As a public pension fund, CalSTRS is not subject to ERISA, which governs corporate pension plans. However, the CalSTRS investment decision-making criteria are based on the “prudent expert” standard, for which the ERISA standards serve as a basis.

Additionally, the California Constitution, Article 16, Section 17, and the California Education Code, Part 13 Teachers Retirement Law, Chapter 4, Section 22250 require the diversification of investments so as to minimize the risk of loss and maximize the rate of returns, unless under the circumstances it is clearly not prudent to do so. CalSTRS Investment Policy and Management Plan is established and may be amended by a majority vote of the board. It allows for investments consisting of debt and equity securities, alternative investments and derivative instruments. See Note 5 regarding the Schedule of Investments.

In the Statement of Changes in Fiduciary Net Position, CalSTRS presents the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains and losses on securities sold and the unrealized appreciation (depreciation) on those investments still held in the portfolio.

The value and performance of CalSTRS investments are subject to various risks, including credit risk, interest rate risk, concentration of credit risk, custodial credit risk and foreign currency risk, which are in turn affected by economic and market factors impacting certain industries, sectors or geographies. See Note 5 for disclosures related to these risks.

Investments are reported at fair value. The diversity of the investment types held by CalSTRS requires a wide range of valuation techniques to determine fair value. The overall valuation processes and information sources by major asset classifications are as follows:

Debt Securities

Debt securities consist primarily of long term investments issued by the U.S. government and U.S. government-sponsored agencies, municipal securities, foreign governments, corporations, securitized offerings backed by residential and commercial mortgages and inflation-indexed bonds (also known as inflation-linked bonds). Debt securities also consist of short term securities that by definition typically have maturities of less than one year. Investments in Pension2 comprise of debt securities such as bond mutual funds and guaranteed annuity contracts.

Certain debt securities have an active market for identical securities and are valued using the close or last traded price on a specific date. Debt securities that are not as actively traded are valued by pricing vendors using modeling techniques that include market observable inputs as well as unobservable inputs required to develop a fair value. Typical inputs include recent trades, yields, price quotes, cash flows, maturity, credit ratings and other assumptions based upon the specifics of the investments’ type.

Global inflation-indexed bonds are bonds where the principal is indexed to inflation. The CalSTRS portfolio consists of inflation-linked bonds issued by governments, including, but not limited to the U.S., which are representative of the countries reflected in the performance benchmark. The values of the U.S. Inflation-Protected Debt Securities are adjusted periodically based on the Consumer Price Index for Urban Consumers (CPI-U), which is calculated monthly by the U.S. Bureau of Labor Statistics. The U.S. inflation-protected securities are actively traded and the prices are readily available from pricing vendors. Similarly, the inflation-linked debt securities issued by a foreign government are also adjusted to reflect a comparable consumer inflation index by that government and the prices are also readily available from pricing vendors.

Short term investments consist of money market funds, certificates of deposits and similar instruments with maturities and/or holding periods of less than one year. Short term investments are reported at fair value or at cost or amortized cost, which approximates fair value. For those investments which are

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reported at fair value, the investments are valued using similar methodologies as debt securities traded in active markets.

Pension2 offers bond mutual funds and annuity contracts to the individual participants. The mutual funds offered by Voya and TIAA-CREF are open-ended funds that are priced daily at the net asset value (NAV) based generally upon the exchange traded official closing price of the securities held by the funds. The annuity contract offered by Voya guarantees a specified minimum interest rate which is subject to change at any time, but will never fall below the guaranteed minimum rate of 1.00 percent. CalSTRS allocation in the Voya annuity contracts is carried at contract value, which approximates fair value.

Equity Securities

Equity securities consist primarily of domestic and international common stocks, preferred stocks, depository receipts, real estate investment trusts (REITs), exchange-traded funds (ETFs) and stock mutual funds. The majority of equity securities held by CalSTRS are actively traded on major stock exchanges. These exchanges make information on trades of securities available daily on a last trade or official close basis. If such information is not available, other pre-established means are used to determine a price. Stock mutual funds, held in the STRP and the Pension2 program, are open-ended funds that are priced daily at NAV by the fund sponsor based generally upon the exchange traded official closing price of the securities held by the fund.

Alternative Investments

Alternative investments consist primarily of limited partnership structures invested in privately held debt, such as distressed and mezzanine debt, or privately held equity, such as venture capital, buyouts, co-investments and equity expansion, as well as investments in real estate and infrastructure. They include investments held within the private equity, real estate, corporate governance, innovation, and infrastructure asset classes and investment strategies.

Investments in real estate directly-held assets are in separate accounts and joint ventures which are comprised of retail, office, industrial, and multi-family properties. Real estate non-directly held investments primarily include commingled limited partnership investments, in which CalSTRS does not have a controlling interest.

Partnership interests are valued using their respective NAV calculated in accordance with the general partner's fair valuation policy as of the measurement date, and are audited annually. CalSTRS receives audited financial statements including valuation results from the general partners and reviews valuation policies for a sample of general partners on a periodic basis. The most significant input into the NAVs of such an entity is the fair value of its investment holdings which are typically valued on a quarterly or semi-annual basis by the general partners. The valuation assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary by investment type and involve a certain degree of expert judgment.

Corporate governance funds employ specific investment strategies and co-investments including, but not limited to, publicly traded equity securities of companies on U.S., Canadian, and European exchanges. These limited partnerships have been valued using the NAV of the entity, with the most significant input into the NAV being the value of its investment holdings. The general partners obtain prices for their holdings in a manner similar to that described above for CalSTRS global equity holdings.

Investments in real estate directly held assets are subject to independent third party appraisals performed annually in accordance with the Uniform Standards of Professional Appraisal Practice. On a quarterly basis, fair values are estimated by the third party advisor or operating partner using general market and property specific assumptions, which are reviewed by CalSTRS management. Leverage may be used to enhance investment returns as set forth in the CalSTRS Real Estate Investment Policy. See Note 5 regarding the disclosure relating to Real Estate leverage.

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Real estate investments in non-directly held assets are long term and illiquid in nature. As a result, investors are subject to redemption restrictions, which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. Limited partner interests in commingled funds are valued by CalSTRS using the NAV of the partnership provided by the general partner. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued using the general partners' fair valuation policy on a continuous basis, audited annually and periodically appraised by an independent third party as directed by the governing document for each commingled fund investment. The valuation assumptions use both market and property specific inputs.

<u>Derivative Instruments</u>
CalSTRS holds investments in futures, foreign currency forward contracts, options, swaps, rights and warrants. The fair value of exchange-traded derivative instruments such as futures, options, rights and warrants are determined based on the quoted market prices. The fair value of derivative instruments that are not exchange-traded such as swaps is determined by external pricing services.

Futures contracts are exchange-traded financial instruments that derive their value from underlying securities, indices or reference rates and are marked-to-market at the end of each day. Daily settlements of gains and losses occur on the following business day. As a result, the instruments have no fair value at the end of any trading day. Futures variation margins are accounted for as unrealized appreciation or depreciation until the contract is closed.

Foreign currency forward contracts are traded over-the-counter (OTC) and are an obligation to buy or sell currency at a specified exchange rate and quantity on a specific future date. The fair value of the foreign currency forward contracts is the unrealized gain or loss calculated based on the difference between the specified exchange rate and the closing forward rate at June 30, 2015.

CalSTRS invests in exchange-traded options and OTC options. An option is a contract that entitles the holder to purchase or sell a specific amount of contracts or notional amount at a specified price (strike price). The underlying asset, contracts or notional amount, expiration date and strike price are known in advance for exchange-traded options.

Swaps are derivative instruments in which two parties agree to exchange one stream of cash flows against another stream or a guarantee. These streams are called the legs of the swap and usually at least one leg has a rate that is variable. The variable leg can depend on a reference rate, the total return of an asset, or an economic statistic. Cash flows are calculated based on the notional amount, which are usually not exchanged between counterparties.

<u>Investment Risk Management</u>
CalSTRS enters into currency forwards and option contracts to protect the value of non-U.S. investments against foreign currency fluctuation. CalSTRS could be exposed to risk if the counterparties to the forward and option contracts are unable to meet the terms of their contracts. CalSTRS also enters into futures contracts, swaps, and options to hedge risks in the equity and fixed income markets. CalSTRS seeks to minimize risk from counterparties by establishing minimum credit quality standards and maximum credit limits. See Note 5 for disclosures related to these risks.

CAPITAL ASSETS
Capital assets held by CalSTRS, which consist of land, building, equipment, and intangible assets are recorded at cost and reflected on the Statement of Fiduciary Net Position, net of accumulated depreciation/amortization. The capitalization threshold for capital assets is $1 million. Depreciation/amortization is charged to operations using the straight-line method on the estimated useful life of the related asset and is included in administrative expenses on the Statement of Changes in Fiduciary Net Position. Estimated useful lives range from one to five years for equipment, forty years for buildings, and a minimum of five years for amortizable intangible assets. Accumulated

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depreciation/amortization and depreciation/amortization expense through June 30, 2015 of fiscal year 2014-15 were $54.7 million and $11.3 million, respectively. CalSTRS reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. As of June 30, 2015 there has been no impairment of capital assets.

ADMINISTRATIVE EXPENSES

The cost of administering the CalSTRS system is financed through contributions and investment earnings. Schedule VI (Schedule of Administrative Expenses) provides a listing of administrative expense by type.

INCOME TAXES

The STRP and THBF are organized as tax-exempt retirement plans under the IRC. Pension2, which includes IRC 403(b) and 457 plans, is organized as a tax-deferred supplemental program under the IRC. CalSTRS management believes that it has operated these funds and programs within the constraints imposed by federal tax law.

INVESTMENT EXPENSES

Expenses directly associated with investment management, operations and servicing, as well as foreign taxes have been included as ‘Other investment expenses’ in the Statement of Changes in Fiduciary Net Position. Schedule VII (Schedule of Investment Expenses) provides a listing of investment expenses by type. Broker commissions for securities trades and private asset fees are capitalized, with the exception of certain derivatives for which they are expensed.

SECURITIES LENDING TRANSACTIONS

CalSTRS reports securities lent, reinvested cash collateral, and the related liabilities resulting from securities lending transactions on the Statement of Fiduciary Net Position. CalSTRS also reports the income earned and costs of lending securities as investment income and expenses on the Statement of Changes in Fiduciary Net Position.

RESERVES

CalSTRS maintains accounts within the net position restricted for pension/other postemployment benefits as reserve accounts for various operating purposes. The Teachers’ Retirement Law requires CalSTRS to maintain two types of reserve accounts within two programs of the STRP, the Defined Benefit Supplement Program and the Cash Balance Benefit Program. Teachers’ Retirement Law also requires CalSTRS to maintain an account for the SBMA.

Defined Benefit Supplement Annuitant Reserve

Part 13, Chapter 2 Section 22104.9 of the Education Code, formed the Defined Benefit Supplement Annuitant Reserve to establish and maintain a segregated account for expenditures on annuities payable under the Defined Benefit Supplement Program. Defined Benefit members may have a Defined Benefit Supplement account that accumulates contributions and interest. The Defined Benefit Supplement Program offers supplemental income in addition to their regular Defined Benefit program benefit. During a member’s career, funds are accumulated in the Defined Benefit Supplement Contribution and Accumulated Interest Reserves, and when a member retires the funds are converted to the Defined Benefit Supplement Annuitant Reserve.

Defined Benefit Supplement Gain and Loss Reserve

Part 13, Chapter 2 Section 22139.5 of the Education Code, established the Defined Benefit Supplement Gain and Loss Reserve which represents a segregated account to maintain either: 1) credited interest to member Defined Benefit Supplement accounts at the minimum interest rate for plan years in which the obligation cannot be met from the plan’s investment earnings, or 2) provide additions to the Annuitant Reserve to meet the plan’s obligation for annuities payable under the Defined Benefit Supplement program.

Cash Balance Annuitant Reserve

Part 14, Chapter 2 Section 26105 of the Education Code, established the Cash Balance

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Annuitant Reserve for the payment of monthly annuities with respect to the Cash Balance Program. The Cash Balance Program is a retirement program that can be an alternative to the CalSTRS Defined Benefit Program, Social Security and other retirement plans. During a participant's career, funds are accumulated in the Cash Balance Active Contribution and Accumulated Interest Reserves. When a participant retires, the funds are transferred to the Cash Balance Annuitant Reserve.

Cash Balance Gain and Loss Reserve
Part 14, Chapter 2 Section 26202 of the Education Code, established the Cash Balance Gain and Loss Reserve which represents funds to be drawn upon to the extent necessary to credit interest to participants' accounts at the minimum interest rate during years in which CalSTRS investment earnings with respect to the Cash Balance Program are not sufficient for that purpose, and where necessary, to provide additions to the Annuitant Reserve for monthly annuity payments.

Supplemental Benefit Maintenance Account
Part 13, Chapter 8 Section 22400 of the Education Code, established the Supplemental Benefit Maintenance Account to separately maintain and manage the annual supplemental payments disbursed in quarterly installments to all benefit recipients whose purchasing power has fallen below 85 percent of the purchasing power of the initial allowance, as long as funds are available. The Supplemental Benefit Maintenance Account is primarily funded by contributions from the state, School Lands monies, and the earned interest on the SBMA reserve balance based on the actuarially assumed interest rate.

Other Identified Reserves
CalSTRS established additional reserves for DBS contributions and accumulated interest, and CB contributions and accumulated interest to separately maintain these balances for active and inactive members and participants.

The reserve balances as of June 30, 2015, are summarized in the table below:

Reserve Type		Reserve Balance *(Dollars in Thousands)*
Defined Benefit Supplement Contribution Reserve	$	6,415,110
Defined Benefit Supplement Accumulated Interest Reserve		2,125,848
Defined Benefit Supplement Annuitant Reserve		494,743
Defined Benefit Supplement Gain and (Loss) Reserve		2,184,942
Cash Balance Active Contribution Reserve		166,074
Cash Balance Accumulated Interest Reserve		52,146
Cash Balance Annuitant Reserve		3,906
Cash Balance Gain and (Loss) Reserve		33,537
Supplemental Benefit Maintenance Account Reserve		11,506,280
Other Reserves Not Legally Required for Disclosure		169,442,169
Total	$	192,424,755

BEGINNING NET POSITION ADJUSTMENT
Due to the implementation of GASB Statement No. 68, adjustments were made to the State Teachers' Retirement Plan, the Teachers' Health Benefits Fund, and the Teachers' Deferred Compensation Fund, which resulted in a decrease in beginning net position for fiscal year 2014-15 of $161.9 million, $362 thousand, and $561 thousand, respectively. These adjustments were reported as a restatement of beginning net position for fiscal year 2014-15. This accrual adjustment in the TDCF resulted in a net deficit position as of June 30, 2015. It is not practical to determine the change in net position of the preceding period.

COMPARATIVE TOTALS
The basic financial statements include certain prior year summarized comparative

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information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles in the United States of America. Accordingly, such information should be read in conjunction with CalSTRS financial statements for the year ended June 30, 2014, from which the summarized information was derived. The summarized comparative information presented has not been adjusted to reflect the implementation of GASB 68. Some reclassifications have been made to the comparative totals as of and for the year ended June 30, 2014, to conform to the presentation as of and for the year ended June 30, 2015. The reclassifications had no impact on net position or changes in net position.

3. NET PENSION LIABILITY OF EMPLOYERS AND NONEMPLOYER CONTRIBUTING ENTITY

The components of the net pension liability of the STRP for participating employers and the State of California (nonemployer contributing entity) as of June 30, 2015, are as follows (dollars in millions):

Total pension liability	$	259,146
Less: STRP fiduciary net position		(191,822)
Net pension liability of employers and the state	$	67,324
STRP fiduciary net position as a percentage of the total pension liability		74%

ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return [2]	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit	2% simple for DB (Annually) Maintain 85% purchasing power level for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment

[2] Net of investment expenses, but gross of administrative expenses. CalSTRS uses a 7.5 percent assumed investment rate of return for funding purposes which is net of administrative expenses.

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practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

* 10-year geometric average

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases as disclosed in Note 1. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Presented below is the net pension liability of employers and the state using the current discount rate of 7.60 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one to three percent lower or one to three percent higher than the current rate:

Discount Rate	Net Pension Liability of Employers and Nonemployer Contributing Entity *(Dollars in Millions)*
3% Decrease (4.60%)	$ 194,268
2% Decrease (5.60%)	143,351
1% Decrease (6.60%)	101,654
Current Discount Rate (7.60%)	67,324
1% Increase (8.60%)	38,793
2% Increase (9.60%)	14,879
3% Increase (10.60%)	(5,252)

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4. FUNDED STATUS

TEACHERS' HEALTH BENEFITS FUND
The funded status of the MPP Program, as of June 30, 2014, the most recent actuarial valuation date, is as follows (dollars in millions):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll * (c)	UAAL as a % of Covered Payroll ((b-a)/c)
MPP Program	$ 0.9	$ 482.0	$ 481.1	0.2%	$ -	N/A

*As of June 30, 2012, current active members are no longer eligible for future enrollment in the MPP Program. Therefore, the covered payroll is $0 for years 2012 and thereafter.

The above table shows the funded ratio of 0.2 percent from a financial reporting perspective. This ratio is determined using methodology based upon financial reporting requirements, which is different from the methodology used to develop the estimated cost to fund the program.

The estimated amount needed to fully fund the program, $341 million based on the June 30, 2014 actuarial valuation of the MPP Program, has not been transferred to the THBF. The estimated amount of future employer contributions required to fully fund the MPP Program is noted as a commitment and is explained further in Note 7.

METHODS AND ASSUMPTIONS
Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation.

Actuarial calculations reflect a long-term perspective and the actuarial methods and assumptions used for valuing the MPPP include techniques that are consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar basis
Amortization Period	Closed
Remaining Amortization Period	22 years
Asset Valuation Method	Fair value of net assets
Actuarial Assumptions:	
Investment Rate of Return	3.50%
Interest on Accounts	Not applicable
Wage Growth	Not applicable
Consumer Price Inflation	3.00%
Healthcare Cost Trend Rate Part A Premiums	3.70%
Healthcare Cost Trend Rate Part B Premiums	5.70%

California State Teachers' Retirement System
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5. DEPOSITS AND INVESTMENTS

MONEY-WEIGHTED RATE OF RETURN
For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 4.1 percent. The money-weighted rate of return expresses investment performance, taking into account the impact of cash infusion into and disbursements from the pension system.

SCHEDULE OF INVESTMENTS
CalSTRS is authorized to invest and reinvest the monies to meet the objectives of the Investment Policy and Management Plan as established by the board.

The following table represents the detailed investments by type within equities, debt securities, alternative investments, and derivatives presented in the Statement of Fiduciary Net Position.

Schedule of Investments
At June 30, 2015, CalSTRS investments, at fair value, are as follows:
(Dollars in Thousands)

		Pension2				
Investments	State Teachers' Retirement Plan	403(b) Plan	457 Plan	Teachers' Health Benefits	Teachers' Deferred Compensation	Total
Debt Securities	**$ 36,251,711**	**$ 229,913**	**$ 8,356**	**$ 601**	**$ 1,180**	**$ 36,491,761**
Asset Backed Securities	787,298	-	-	-	-	787,298
Corporate Bonds	11,522,861	-	-	-	-	11,522,861
Foreign Government Issues	1,045,516	-	-	-	-	1,045,516
Mortgage Backed Securities	8,180,156	-	-	-	-	8,180,156
Municipal Securities	212,235	-	-	-	-	212,235
U.S. Government and Agency Obligations	10,123,805	-	-	-	-	10,123,805
Short Term Securities	4,379,840	1,775	120	601	1,180	4,383,516
Mutual Funds-Bond Funds	-	41,866	1,240	-	-	43,106
Guaranteed Annuity Contracts	-	186,272	6,996	-	-	193,268
Equity Securities	**104,580,292**	**345,617**	**12,405**	-	-	**104,938,314**
Common Stocks	99,677,859	-	-	-	-	99,677,859
Depository Receipts	1,813,430	-	-	-	-	1,813,430
Mutual Funds-Stock Funds	124,283	345,617	12,405	-	-	482,305
Preferred Stocks	254,448	-	-	-	-	254,448
Real Estate Investment Trusts	2,710,272	-	-	-	-	2,710,272
Alternative Investments	**53,089,986**	-	-	-	-	**53,089,986**
Equity-Privately Held	24,243,503	-	-	-	-	24,243,503
Debt-Privately Held	2,463,458	-	-	-	-	2,463,458
Real Estate-Directly Held	7,270,591	-	-	-	-	7,270,591
Real Estate-Non-Directly Held	19,112,434	-	-	-	-	19,112,434
Derivative Instruments	**8,718**	-	-	-	-	**8,718**
Options	3,766	-	-	-	-	3,766
Rights and Warrants	2,148	-	-	-	-	2,148
Swaps	2,804	-	-	-	-	2,804
Securities Lending Collateral	**18,029,379**	-	-	-	-	**18,029,379**
Total Investments	**$211,960,086**	**$ 575,530**	**$ 20,761**	**$ 601**	**$ 1,180**	**$212,558,158**

California State Teachers' Retirement System
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SHORT TERM

Deposits in the Pooled Money Investment Account (classified under short-term securities), administered by the State Treasurer, represent various investments with approximately 239 average days to maturity and are reported at amortized cost, which approximates fair value. The State Treasury pools these monies with those of other state agencies for investing in short-term securities. The monies are available for withdrawal at any time by state agencies. Deposits in the Short-term Investment Fund, administered by State Street Bank, represent various investments with approximately 32 average days to maturity and are reported at amortized cost, which approximates fair value.

SECURITIES LENDING

State of California statutes and board policies permit CalSTRS to make short-term, collateralized loans of its securities to broker-dealers and other entities in order to earn incremental income. CalSTRS has contracted with third party securities lending agents and their respective custodians to lend global equity and debt securities. The majority of the security loans can be terminated on demand by either CalSTRS or the borrower. The underlying securities on loan are reported as assets on the Statement of Fiduciary Net Position. Collateral in the form of cash or other securities is required for 102 percent and 105 percent of the fair value of domestic and international equity securities loaned, respectively. For non-U.S. debt securities loaned, CalSTRS follows market practice which requires collateral of 102 percent of the fair value of the loaned securities. Since the majority of loans are terminable at will, their duration does not generally match the duration of the investments made with the cash collateral. At June 30, 2015, the weighted duration difference between the investments and these loans was 26 days.

At June 30, 2015, the fair value of the securities on loan was $19.6 billion. The securities lending cash collateral obligations were $18.04 billion. The fair value of the re-invested cash collateral was $18.03 billion, the non-cash collateral was $2.1 billion and the calculated mark (additional collateral requested for the next business day) was $12.3 million. The invested collateral and corresponding obligation are reflected in the Statement of Fiduciary Net Position as assets and liabilities, respectively. Due to the decline in the fair value in the re-invested cash collateral, the liability represented by the securities lending cash collateral obligation was greater than the re-invested cash collateral. The re-invested cash collateral securities in this program are typically held to maturity and expected to mature at par.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting on Securities Lending Transactions*, the non-cash collateral of $2.1 billion is not reported in the Statement of Fiduciary Net Position because CalSTRS is not permitted to pledge or sell these collateral securities received unless the borrower defaults. The contracts with the securities lending agents require them to indemnify CalSTRS if the borrowers fail to return the securities (or if the collateral is not sufficient to replace the securities lent) or if the borrowers fail to pay CalSTRS for income distributions by the securities' issuers while the securities are on loan.

REAL ESTATE

Real estate investments are classified as investments in accordance with GASB Statement No. 67*, Financial Reporting for Pension Plans*. Certain real estate investments are leveraged through partnerships using a combination of equity contributions from CalSTRS and other investors and through the utilization of debt. CalSTRS engages real estate advisors and operating partners who are responsible for managing a portfolio's day-to-day activities, performance and reporting. At June 30, 2015 the estimated fair value of real estate investments (net of all outstanding debt) totaled approximately $26.4 billion. The CalSTRS share of outstanding debt is $8.4 billion, excluding obligations of limited partnership interests in commingled funds. The CalSTRS portion of real estate debt service requirements includes both recourse and nonrecourse loans.

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The chart below details the repayment of real estate debt, excluding obligations of limited partnership interests in commingled funds, as of June 30, 2015:

Real Estate Debt Service Requirements
(Dollars in Thousands)

		Principal	Interest	Total
Period Ended June 30,	2016	$1,178,383	$330,297	$1,508,680
	2017	2,055,806	277,691	2,333,497
	2018	1,523,980	163,478	1,687,458
	2019	363,236	125,166	488,402
	2020	816,191	103,139	919,330
	2021 - 2025	2,225,312	199,411	2,424,723
	2026 - 2030	58,581	18,076	76,657
	2031 - 2035	6,550	16,698	23,248
	2036 - 2040	95,838	12,031	107,869
	2041 - Thereafter	56,503	6,745	63,248
	Total	$8,380,380	$1,252,732	$9,633,112

Real estate debt currently bears interest at fixed and variable rates ranging from 1.02 to 10.55 percent and 0.71 to 10.43 percent, respectively.

In fiscal year 2011-2012, CalSTRS entered into three (3) separate unsecured credit facilities (Master Credit Facility Portfolio). The proceeds from the Master Credit Facility Portfolio provide the source of funds for managing capital flows of investment strategies. On December 10, 2014, one of the credit facilities matured and was terminated. As of June 30, 2015, the total available lines of credit in the Master Credit Facility Portfolio were $2.05 billion. The total principal amount borrowed was $1.45 billion and the remaining amount available was $600 million. These lines of credit will mature in October 2016 and May 2017.

The CalSTRS Real Estate Investment Policy states that leverage shall be used to enhance investment returns. Careful consideration is given to the impact of leverage on investment and portfolio risks. Leverage within each segment of the portfolio will be regularly monitored and reported to the board for compliance. At June 30, 2015, the total leverage on the real estate portfolio, excluding obligations of limited partnership interests in commingled funds was 44.4 percent. CalSTRS does not have any debt obligations under the real estate limited partnership interests held in comingled funds.

INVESTMENT RISK SCHEDULES

In accordance with GASB Statement No. 40, the following investment risk schedules disclose CalSTRS investments that are subject to certain types of risks, including credit risk, interest rate risk, concentration of credit risk, custodial risk and foreign currency risk. The policies addressing each risk, discussed in more detail below, are contained within the Investment Policy and Management Plan reviewed and approved annually by the board.

CalSTRS has no investment (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represents 5 percent or more of the STRP’s fiduciary net position at June 30, 2015.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations.

CalSTRS Investment Guidelines require that, at the time of purchase, at least 95 percent of the market value of the corporate securities

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comprising the credit portion of the core fixed income portfolio be rated investment grade as defined by the Barclays U.S. Aggregate Bond Index. The ratings used to determine the quality of the individual securities in the table below are the ratings provided by S&P McGraw Hill Financial. Obligations issued or guaranteed by the U.S. federal government or government-sponsored agencies are eligible without limit. Furthermore, the total position of the outstanding debt of any non-agency mortgage-backed, asset-backed, and commercial mortgage-backed securities issuer shall be limited to 10 percent of the market value of the portfolio, on the basis of each separate trust (pool of assets), at the time of purchase. Obligations of other issuers are not to exceed 5 percent per issuer, at the time of purchase, of the market value of any individual portfolio. The Investment Guidelines also include an allocation to opportunistic strategies, a portion of which are managed externally and which allow for the purchase of bonds rated below investment grade. Limitations on the amount of debt of any one issuer each investment manager may hold are negotiated on a manager by manager basis.

CalSTRS may invest in an unrated security if the security is comparable in quality to other rated securities that are eligible for purchase. The notation NR represents those securities that are not rated and NA represents those securities for which the rating disclosure requirements are not applicable such as obligations of the U.S. government and obligations explicitly guaranteed by the U.S. government.

At June 30, 2015, the credit ratings of all debt securities and securities lending collateral are as follows:

Debt Securities
(Dollars in Thousands)

Ratings	Asset Backed Securities	Corporate Bonds	Foreign Government Issues	Mortgage Backed Securities	Municipal Securities	U.S. Government and Agency Obligations	Short Term Securities	Mutual Fund	Annuity Contracts	Total
Long Term Ratings										
AAA	$ 430,526	$ 266,091	$ 64,601	$ 184,702	$ 46,922	$ -	$ -	$ 24,805	$ -	$ 1,017,647
AA	9,657	956,236	35,573	1,683,891	108,780	76,369	-	18,301	-	2,888,807
A	7,765	3,053,380	132,402	54,611	19,709	-	-	-	-	3,267,867
BBB	10,323	3,812,379	178,810	97,413	9,254	-	-	-	-	4,108,179
BB	3,248	1,014,201	3,623	23,158	-	-	-	-	-	1,044,230
B	6,342	936,499	-	24,264	-	-	-	-	-	967,105
CCC	4,169	258,521	654	36,932	-	-	-	-	-	300,276
CC	7,364	401	-	-	-	-	-	-	-	7,765
C	-	245	-	-	-	-	-	-	-	245
D	-	-	-	19,243	-	-	-	-	-	19,243
NR	307,904	1,224,908	629,853	6,055,942	27,570	6,994	-	-	193,268	8,446,439
NA	-	-	-	-	-	10,040,442	-	-	-	10,040,442
Short Term Ratings										
NR	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,134,518	$ -	$ -	$ 4,134,518
NA	-	-	-	-	-	-	248,998	-	-	248,998
Total	$787,298	$11,522,861	$1,045,516	$8,180,156	$212,235	$10,123,805	$4,383,516	$43,106	$193,268	$36,491,761

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Securities Lending Collateral
(Dollars in Thousands)

Ratings	Asset Backed Securities	Corporate Bonds	Foreign Government Issues	Mortgage Backed Securities	U.S. Government and Agency Obligations	Short Term Securities	Total
Long Term Ratings							
AAA	$ 3,183,105	$ -	$ -	$ 42,512	$ -	$ -	$ 3,225,617
AA	659	2,140,724	-	99,998	-	-	2,241,381
A	317	706,286	-	12,106	-	-	718,709
BBB	633	-	-	2,193	-	-	2,826
BB	224	-	-	-	-	-	224
CCC	2,110	-	-	-	-	-	2,110
CC	559	-	-	-	-	-	559
D	-	-	-	8,513	-	-	8,513
NR	890,962	230,592	-	119,080	-	-	1,240,634
Short Term Ratings							
A-1	$ -	$ -	$ -	$ -	$ -	$ 964,616	$ 964,616
A-2	-	-	-	-	-	35,004	35,004
B	-	-	-	-	-	50,021	50,021
NR	-	-	-	-	-	9,521,789	9,521,789
Total	$ 4,078,569	$3,077,602	$ -	$ 284,402	$ -	$ 10,571,430	$ 18,012,003

Cash and accruals totaling $17,376 (in thousands) are not included in the total above but are included in the Securities Lending Collateral line item in the Statement of Fiduciary Net Position.

INTEREST RATE RISK
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Investments may contain terms that increase the sensitivity of their fair values to increasing and decreasing interest rates. Although CalSTRS has investments that have an inherent prepayment risk as well as caps, floors, and step-up features, these are mitigated through the diversification of asset classes, security selection, maturity and credit quality.

The Investment Guidelines allow the core long term investment grade portfolios the discretion to deviate the average duration of the portfolio within a range of +/- 20 percent (80 to 120 percent) of the weighted average effective duration of the performance benchmark.

The table below represents the net asset values and duration of the long-term fixed income portfolios at June 30, 2015.

Long Term Fixed Income Duration
(Dollars in Thousands)

Investment Type (by portfolio)	Portfolio Net Asset Value	Effective Duration	Benchmark Duration	Difference
Core Portfolio				
Commercial Mortgage Backed Securities	$ 689,574	4.38	4.26	0.12
Credit Obligations	7,716,794	6.62	6.65	(0.03)
Mortgage Backed Securities	6,647,753	4.17	3.94	0.23
U.S. Government and Agency Obligations	9,075,634	5.36	5.18	0.18
Debt Opportunistic				
Corporate High Yield	1,952,991	4.09	4.25	(0.16)
Debt Core Plus	3,229,801	5.37	5.13	0.24
Leveraged Loans	695,886	0.53	0.25	0.28
Special Situations	63,926	0.09	5.18	(5.09)
Total Portfolio	$ 30,072,359	5.19	5.18	0.01

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Global inflation-linked securities and the home loan program are not included in the table above. The global inflation-linked securities had a net asset value of $554.0 million with an effective duration of 11.96 compared to the benchmark duration of 11.80. The home loan program had a net asset value of $165.7 million with a weighted average maturity of 24.15 years. Cash and accruals totaling $333.9 million and swaps and other collateral totaling $1.8 million are included in the total net asset value within the fixed income portfolio but are not included in debt securities on the Statement of Fiduciary Net Position.

At June 30, 2015, the segmented time distribution for the short term securities based upon the expected maturity and/or first reset dates are as follows:

Short Term Fixed Income
Segmented Time Distribution
(Dollars in Thousands)

Investment Type	0-30 days	31-90 days	91-120 days	121-180 days	181-365 days	366+ days	Total
Asset Backed Securities	$ 386,631	$ 52,290	$ -	$ 8,745	$ -	$ -	$ 447,666
Corporate Bonds	313,361	306,297	-	-	-	-	619,658
Foreign Government Issues	-	10,001	-	-	-	-	10,001
Money Market Securities	1,266,630	951,919	-	29,471	-	-	2,248,020
Mortgage Backed Securities	391,013	123,217	80,000	174,952	448,465	25,008	1,242,655
Pooled Money Investment Account	149,796	-	-	-	-	-	149,796
Short Term Investment Fund	784,000	-	-	-	-	-	784,000
U.S. Government and Agency Obligations	10,397	88,175	-	2,500	194,231	-	295,303
Total	$ 3,301,828	$ 1,531,899	$ 80,000	$ 215,668	$ 642,696	$ 25,008	$ 5,797,099
Weightings	56.96%	26.42%	1.38%	3.72%	11.09%	0.43%	100.00%

The primary investment objective for the short term investments is to seek the preservation of capital and liquidity, and to generate the highest possible current income consistent with a prudent level of risk. The above table includes $1.4 billion debt securities that are managed within the short term fixed income portfolio but may have original maturities of over a year. The Investment Guidelines of the short term portfolio state that the average maturity of the investments shall be managed such that it will not exceed 180 days.

At June 30, 2015, the segmented time distribution based upon the expected maturity and/or first reset date for the invested Securities Lending Cash Collateral is as follows:

Securities Lending Collateral
Segmented Time Distribution
(Dollars in Thousands)

Investment Type (by portfolio)	0-1 days	2-6 days	7-29 days	30-59 days	60-89 days	90+ days	TOTAL
Asset Backed Securities	$ -	$ -	$ 3,513,015	$ 401,075	$ 53,926	$ 110,553	$ 4,078,569
Corporate Bonds	225,082	50,018	965,202	749,084	1,028,251	59,965	3,077,602
Mortgage Backed Securities	-	-	94,837	19,091	70,476	99,998	284,402
Short Term Securities	4,328,906	582,404	2,671,947	1,141,335	1,029,956	816,882	10,571,430
Total	$ 4,553,988	$ 632,422	$7,245,001	$ 2,310,585	$ 2,182,609	$1,087,398	$18,012,003
Weightings	25.28%	3.51%	40.22%	12.83%	12.12%	6.04%	100.00%

Cash and accruals totaling $17,376 (in thousands) are not included in the total above but are included in the Securities Lending Collateral line item in the Statement of Fiduciary Net Position.

The invested Securities Lending Cash Collateral is diversified among different asset classes with the maximum remaining effective maturity of any instrument being three years. The fund must remain liquid to meet collateral returns.

Pension2

The primary objectives of Voya Fixed Plus III and TIAA Traditional Annuity/Annuities are the guarantee of principal and an interest rate floor of 1.0 percent for the life of the contract. The interest rate guarantees under the contracts are subject to Voya Retirement Insurance and Annuity Company (VRIAC) and TIAA's claim paying abilities.

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At June 30, 2015, the weighted average maturity of investments classified for the Pension2 IRC 403(b) and 457 plans on the Statement of Fiduciary Net Position are as follows:

Pension2
Weighted Average Maturity
(Dollars in Thousands)

Investment Type	Maturity	Fair Value
Federated U.S. Treasury Cash	55.0 days	$ 1,617
Money Market Securities	54.4 days	278
Vanguard Inflation Protected Securities Fund Institutional	8.6 years	21,277
Vanguard Short-Term Bond Index Fund Institutional	2.8 years	18,301
Vanguard Total Bond Market Index Fund	7.9 years	3,528
Total		$ 45,001

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of CalSTRS investment in a single issuer. As of June 30, 2015, CalSTRS has no single issuer that exceeds 5 percent of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded. CalSTRS Investment Policy and Management Plan states that no more than 3 percent of the total fund shall be invested or exposed to any one security or corporation, with the exception of United States Treasury or Agency Obligations. At June 30, 2015, CalSTRS was in compliance with this policy. The Pension2's 403(b) and 457 plans, which are comprised primarily of mutual funds, have no single issuer that exceeds 5 percent of total investments.

CUSTODIAL CREDIT RISK

Custodial credit risk is the risk that if a depository institution or counterparty fails, CalSTRS would not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2015, all of CalSTRS non-cash investments are not exposed to custodial credit risk. Cash held with the master custodian is insured up to $250,000 under the Federal Deposit Insurance Corporation (FDIC) general deposit insurance rules. CalSTRS does not have a general policy relating to custodial credit risk.

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FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

At June 30, 2015, CalSTRS investments in foreign currencies are as follows:

Foreign Currency Risk
(Dollars in Thousands)
(In U.S. Dollar Equivalents)

Currency Name	Cash	Equity	Fixed Income	Spot Contracts	Forward Contracts	Total Exposure
Australian Dollar	$ 21,832	$ 1,656,760	$ 24,997	$ -	$ 45	$ 1,703,634
Brazilian Real	2,001	484,499	30,165	24	278	516,967
Canadian Dollar	25,881	2,225,829	35,380	1	(311)	2,286,780
Chilean Peso	221	28,148	-	1	(439)	27,931
Colombian Peso	123	8,953	-	(38)	883	9,921
Czech Koruna	222	4,416	-	-	(375)	4,263
Danish Krone	829	515,618	-	-	-	516,447
Egyptian Pound	82	4,377	-	-	(48)	4,411
Euro Currency	145,423	11,135,717	315,111	838	71,931	11,669,020
Hong Kong Dollar	22,072	2,079,040	-	-	-	2,101,112
Hungarian Forint	45	28,821	-	-	(1,183)	27,683
Indian Rupee	866	528,993	-	185	262	530,306
Indonesian Rupiah	554	190,445	-	-	194	191,193
Japanese Yen	135,413	5,941,933	10,118	11	21,314	6,108,789
Kazakhstan Tenge	-	-	-	-	15	15
Malaysian Ringgit	286	110,798	-	-	188	111,272
Mexican Peso	1,583	198,532	56,196	-	(522)	255,789
Moroccan Dirham	-	-	-	-	(258)	(258)
New Israeli Sheqel	2,429	110,385	-	(204)	(1,400)	111,210
New Romanian Leu	-	-	-	-	89	89
New Russian Ruble	-	-	-	27	(1,385)	(1,358)
New Taiwan Dollar	9,184	775,311	-	(32)	(38)	784,425
New Zealand Dollar	1,589	44,231	30,622	-	2,716	79,158
Nigerian Naira	-	-	-	-	(218)	(218)
Norwegian Krone	2,452	215,042	-	-	(86)	217,408
Pakistan Rupee	168	33,677	-	-	-	33,845
Peruvian Nouveau Sol	38	974	-	-	(43)	969
Philippine Peso	263	85,161	-	-	(113)	85,311
Polish Zloty	897	31,667	-	-	158	32,722
Pound Sterling	48,617	5,934,288	218,931	2	(3,519)	6,198,319
Qatari Rial	-	45,389	-	-	-	45,389
Singapore Dollar	7,321	446,739	-	1	201	454,262
South African Rand	1,590	491,644	-	298	712	494,244
South Korean Won	1,020	989,422	-	(4)	33	990,471
Swedish Krona	1,047	681,654	5,533	(1)	(699)	687,534
Swiss Franc	1,998	2,142,233	153	(1)	(795)	2,143,588
Thailand Baht	260	181,224	-	-	106	181,590
Turkish Lira	426	205,823	-	-	(7)	206,242
UAE Dirham	2	36,233	-	-	-	36,235
Yuan Renminbi	-	-	-	-	(617)	(617)
Total	$436,734	$37,593,976	$ 727,206	$ 1,108	$ 87,069	$38,846,093

California State Teachers' Retirement System
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CalSTRS investments denominated in foreign currencies are reported within debt securities, equity securities, alternative investments, derivative instruments and investment receivables and/or payables on the Statement of Fiduciary Net Position.

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is held temporarily in foreign accounts until it is able to be repatriated or expended.

In accordance with the Investment Policy and Management Plan, CalSTRS has established a strategic allocation to non-dollar public and private equity assets (i.e. private equity investments and real estate). Considering this commitment to non-dollar assets and the impact currency fluctuations can have on the total return of dollar-based investors, CalSTRS has recognized the need to implement strategies designed to address the management of currency risk. CalSTRS believes that its Currency Management Program should emphasize the protection of the value of its non-dollar public and private equity assets against a strengthening U.S. dollar first, yet recognizes that there also exists opportunities for alpha generation (the ability to derive a return in excess of a market return) within the currency markets.

CalSTRS fixed income staff has management and/or oversight responsibilities for the Currency Management Program. The position range has been designed to allow for some degree of symmetry around the underlying exposure to the foreign denominated assets within CalSTRS in order to both protect the translation value of the assets against a strengthening U.S. dollar and to enhance returns in a declining U.S. dollar environment. As a result, the position range shall be -25 percent to 50 percent of the total notional value (in U.S. Dollars) of the non-U.S. public and non-U.S. private equity portfolios (i.e. Private Equity, Real Estate and Corporate Governance).

As of June 30, 2015, the Pension2’s 403(b) and 457 plans are not exposed to foreign currency risk.

DERIVATIVE INSTRUMENTS

As of June 30, 2015, the derivative instruments held by CalSTRS are considered investments and not hedges for accounting purposes. The term hedging, as it is used elsewhere in the notes to these financial statements, denotes an economic activity and not an accounting method. The gains and losses arising from this activity are recognized as incurred in the Statement of Changes in Fiduciary Net Position.

All investment derivatives discussed below are included within the Investment Risk Schedules, which precede this section. Investments in derivative instruments are disclosed separately to provide a comprehensive view of this activity and its impact on the overall investment portfolio.

California State Teachers' Retirement System
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The table below presents the related net appreciation (depreciation) in fair value, the fair value amounts and the notional amounts of derivative instruments outstanding at June 30, 2015:

Investment Derivative Disclosure
(Dollars in Thousands)

	Net Appreciation (Depreciation) in Fair Value of Investments through June 30, 2015		Fair Value at June 30, 2015		
	Classification	Amount	Amount	Notional (Amount / Shares)	
Investment Derivatives Instruments					
Commodities Futures	Investment Income / (Loss)	$ (12,227)	$ -	-	
Credit Default Swaps	Investment Income / (Loss)	14	2,112	88,703	
Interest Rate Swaps	Investment Income / (Loss)	1,739	692	7,261	
Foreign Currency Forwards	Investment Income / (Loss)	150,188	87,069	10,928,943	
Futures (Domestic and Foreign)	Investment Income / (Loss)	95,020	-	(437,197)	
Options	Investment Income / (Loss)	(4,004)	3,766	(1,084)	
Rights	Investment Income / (Loss)	(154)	1,601	6,644	Shares
Warrants	Investment Income / (Loss)	105	547	4,599	Shares
Total Derivative Instruments		$ 230,681	$ 95,787		

The total options amount of $3,766 is comprised of options bought and options written of $7,827 and $(4,061), respectively (Dollars in Thousands).

At June 30, 2015, all derivatives are reported as Derivative Instruments with the exception of foreign currency forward contracts, which are reported as net receivable or payable on the Statement of Fiduciary Net Position.

COUNTERPARTY CREDIT RISK

The table below depicts the counterparty credit ratings of CalSTRS non-exchange traded investment derivative instruments outstanding and subject to loss at June 30, 2015.

Counterparty Credit Rating
(Dollars in Thousands)

S&P Rating	Credit Default Swaps	Foreign Currency Forwards	Interest Rate Swaps	Total
AA	$ -	$ 24,318	$ -	$ 24,318
A	2,132	80,189	692	83,013
BBB	-	941	-	941
Subtotal Investments in Asset Position	$ 2,132	$ 105,448	$ 692	$ 108,272
Investments in Liability Position	(20)	(18,379)	-	(18,399)
Total Investments in Asset / (Liability) Position	$ 2,112	$ 87,069	$ 692	$ 89,873

The counterparty credit exposure for similar instruments with the same counterparty is netted for presentation purposes.

The ratings used to determine the quality of the individual counterparty are the S&P ratings. The aggregate fair value of investment derivative instruments in an asset position subject to counterparty credit risk at June 30, 2015 was $108.3 million. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

CalSTRS may enter into a master netting arrangement with a counterparty. In the event of default or early termination, the master agreement permits the non-defaulting party the right to close-out all transactions in a single net settlement to one net amount payable by one counterparty to the other. At June 30, 2015, there were assets of $59.5 million, including cash collateral held by CalSTRS, and liabilities of $29.3 million from non-exchange traded derivatives subject to master netting agreements. At June 30, 2015, CalSTRS did not have any significant exposure

California State Teachers' Retirement System
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to counterparty credit risk with any single party.

CUSTODIAL CREDIT RISK

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement 40. At June 30, 2015, all of CalSTRS investments in derivative instruments are held in CalSTRS name or CalSTRS nominee name and/or are not exposed to custodial credit risk as of June 30, 2015.

INTEREST RATE RISK

At June 30, 2015, CalSTRS is exposed to interest rate risk on its derivative instruments described below by maturity period.

Investment Maturities
(Dollars in Thousands)

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More than 10
Credit Default Swaps Bought	$ (2,321)	$ -	$ (2,321)	$ -	$ -
Credit Default Swaps Written	4,433	-	4,436	(3)	-
Interest Rate Swaps	692	-	-	-	692
Total	$ 2,804	$ -	$ 2,115	$ (3)	$ 692

Interest rate swaps are highly sensitive to changes in interest rates. The table below details the reference rate, fair value and notional amount of these derivative instruments:

Derivative Instruments Highly Sensitive to Interest Rate Changes
(Dollars in Thousands)

Investment Type	Reference Rate	Fair Value	Notional
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.39211%	$ 692	7,261
Total		$ 692	7,261

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FOREIGN CURRENCY RISK

At June 30, 2015, CalSTRS is exposed to foreign currency risk on its investments in options, rights, warrants, and forward contracts in foreign currencies.

Foreign Currency Risk
(Dollars in Thousands)

(In U.S. Dollar Equivalents)

				Currency Forward Contracts		
Currency Name	Options	Rights	Warrants	Net Receivables	Net Payables	Total Exposure
Australian Dollar	-	-	-	557	(512)	45
Brazilian Real	-	-	-	808	(530)	278
Canadian Dollar	-	2	-	1,265	(1,576)	(309)
Chilean Peso	-	-	-	6	(445)	(439)
Colombian Peso	-	-	-	883	-	883
Czech Koruna	-	-	-	-	(375)	(375)
Egyptian Pound	-	-	-	79	(127)	(48)
Euro Currency	3,639	1,353	472	71,931	-	77,395
Hungarian Forint	-	-	-	177	(1,360)	(1,183)
Indian Rupee	-	-	-	396	(134)	262
Indonesian Rupiah	-	-	-	246	(52)	194
Japanese Yen	-	-	-	21,314	-	21,314
Kazakhstan Tenge	-	-	-	16	(1)	15
Malaysian Ringgit	-	-	-	233	(45)	188
Mexican Peso	-	-	-	765	(1,287)	(522)
Moroccan Dirham	-	-	-	-	(258)	(258)
New Israeli Sheqel	-	-	-	159	(1,559)	(1,400)
New Romanian Leu	-	-	-	89	-	89
New Russian Ruble	-	-	-	-	(1,385)	(1,385)
New Taiwan Dollar	-	-	-	-	(38)	(38)
New Zealand Dollar	-	-	-	4,914	(2,198)	2,716
Nigerian Naira	-	-	-	-	(218)	(218)
Norwegian Krone	-	-	-	45	(131)	(86)
Peruvian Nouveau Sol	-	-	-	5	(48)	(43)
Philippine Peso	-	-	-	-	(113)	(113)
Polish Zloty	-	-	-	209	(51)	158
Pound Sterling	-	-	-	5,636	(9,155)	(3,519)
Singapore Dollar	-	218	-	246	(45)	419
South African Rand	-	-	-	797	(85)	712
South Korean Won	-	-	-	58	(25)	33
Swedish Krona	-	-	-	-	(699)	(699)
Swiss Franc	-	-	-	-	(795)	(795)
Thailand Baht	-	-	14	109	(3)	120
Turkish Lira	-	-	-	507	(514)	(7)
Yuan Renminbi	-	-	-	48	(665)	(617)
Total	$ 3,639	$ 1,573	$ 486	$ 111,498	$ (24,429)	$ 92,767

At June 30, 2015, the net unrealized gain on the foreign currency forward contracts was $87.1 million.

INVESTMENT ALLOCATION POLICY

In accordance with GASB Statement No. 67, CalSTRS discloses Investment policies pertaining to asset allocation and changes to any significant Investment policies. The board approves the allocation of investment assets as described in the board policy manual. The key goal of the asset allocation process is to develop an asset allocation policy that maximizes the likelihood that an investment portfolio's assets will, over the planning horizon, fund plan benefits. CalSTRS conducts an asset allocation study every three years, or more frequently if there is a significant change in the liabilities or assets. The asset allocation study involves a comprehensive review of the financial condition of the plan, including the actuarial requirements of the plan, such as

California State Teachers' Retirement System
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future benefit payments and expected cash flow of contributions. In conjunction with the long-term strategic target, a range for each asset class has been established to provide flexibility designed to reduce rebalancing costs and adapt to changing market conditions. Effective July 1, 2013, the board approved the Investment Policy and Management Plan changing the asset allocation ranges.

The following table displays the previous and current board-approved target allocation, the policy range, and the actual allocation for the Defined Benefit and Defined Benefit Supplement Programs per the portfolio allocation and management structure as of June 30, 2015:

Asset Class	Previous Target Allocation as of July 2009	Current Target Allocation as of June 30, 2015	Policy Range	Actual Allocation as of June 30, 2015
Global Equity	53.0%	55.0%	+/- 6%	57.4%
Fixed Income	20.0%	17.0%	+/- 3%	15.7%
Real Estate	12.0%	13.0%	+/- 3%	12.7%
Private Equity	12.0%	13.0%	+/- 3%	10.1%
Cash / Liquidity	1.0%	1.0%	+/- 3%	1.8%
Inflation Sensitive	2.0%	1.0%	+/- 3%	0.8%
Absolute Return	-	-	+/- 3%	1.5%
Total Asset Allocation	100.0%	100.0%		100.0%

6. **CONTINGENCIES**

CalSTRS is involved in litigation relating to various matters. In the opinion of management, after consultation with legal counsel, the outcome of these matters is not expected to have a material adverse effect on CalSTRS financial statements.

7. **COMMITMENTS**

In connection with the purchase of partnership interests under various investment portfolios, CalSTRS has remaining unfunded commitments of approximately $19.1 billion at the June 30, 2015.

The following table depicts the unfunded commitments by asset strategy:

Asset Strategy	Unfunded Commitments *(Dollars in Thousands)*
Corporate Governance	$ 569,782
Infrastructure	802,714
Innovation	44,346
Private Equity	9,237,656
Real Estate	8,438,639
Total	$ 19,093,137

Real Estate's total unfunded commitment amount of $8.4 billion is comprised of discretionary and non-discretionary amounts of $4.3 billion and $4.1 billion, respectively. Non-discretionary contractual arrangements provide CalSTRS the ability to cancel or redirect its investment commitment.

CalSTRS has entered into agreements through its Credit Enhancement Program to provide

California State Teachers' Retirement System
Notes to the Basic Financial Statements

credit support and/or liquidity support on certain debt securities. At June 30, 2015, CalSTRS had commitments of approximately $463.0 million expiring through March 2017. CalSTRS is paid a fee over the term of such agreements and earned approximately $5.8 million for the period ended June 30, 2015.

Medicare Premium Payment Program (MPP Program)
Under current board policy, the assets set aside from the future employer contributions to fund the MPP Program are equal to its actuarial obligation less the value of any assets already in the THBF. As of the June 30, 2014, actuarial valuation for the Defined Benefit Program, the future employer contributions committed to funding the MPP Program obligations total $341 million.

8. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, requires recognition of net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability are enhanced through new note disclosures and required supplementary information. The comparability of reported pension information is improved by the changes related to the attribution method used to determine service cost and the total pension liability, requirements for immediate recognition in pension expense of certain items, and the establishment of standardized expense recognition periods for amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions. CalSTRS has recognized its proportionate share of the liability, deferred outflows of resources, deferred inflows of resources, and expense related to its participation in the Public Employees' Retirement Fund required to be recognized under GASB Statement No. 68 in the financial statements for the fiscal year ending June 30, 2015. Impact of GASB 68 is not material to the financial statements as a whole and CalSTRS does not believe it adds value to for financial statement readers. CalSTRS is not providing additional note disclosures or supplementary information required by GASB Statement No. 68 because CalSTRS concluded that presenting information about CalSTRS pension obligations as an employer under GASB Statement No. 68, in addition to the pension obligation of employers which participate in the STRP under GASB Statement No. 67, may confuse or mislead the users of CalSTRS financial statements.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68,* requires governments to recognize a beginning deferred outflow of resources if there are any contributions made after the measurement date, but before the end of the government's reporting period. Application of GASB Statement No. 71 eliminates potential understatement of restated beginning net position and expense in the first year of implementation. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and have been implemented in the financial statements for the fiscal year ending June 30, 2015.

GASB Statement No. 72, *Fair Value Measurement and Application,* addresses accounting and financial reporting issues related to fair value measurements. This statement provides guidance for determining fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 72 requires disclosures on fair value measurements, the level of fair value hierarchy, and valuation techniques. It also requires additional disclosures relating to investments in certain entities that calculate net asset value (NAV) per share (or its equivalent). The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015. Management is evaluating GASB Statement No. 72 and its impact to CalSTRS financial reporting and will implement it in the financial statements for the fiscal year ending June 30, 2016.

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GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* establishes requirements for pensions and pension plans that are not administered through a trust meeting specified criteria. The provisions in this statement are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. Management is evaluating GASB Statement No. 73 and its impact to CalSTRS financial reporting and, if applicable, will implement it in the financial statements for the fiscal year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans that administer benefits on behalf of governments. This statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. This statement requires an OPEB liability to be included in the statement of fiduciary net position and the statement of changes in fiduciary net position, as well as extensive note disclosures and required supplementary information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The provisions in this statement are effective for financial statements for fiscal years beginning after June 15, 2016. Management is evaluating GASB Statement No. 74 and its impact to CalSTRS financial reporting and, if applicable, will implement it in the financial statements for the fiscal year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide by reporting, according to specified criteria, either a net OPEB liability, their proportionate share of the collective OPEB liability, or the total OPEB liability related to their employees. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The provisions in this statement are effective for fiscal years beginning after June 15, 2017. Management is evaluating GASB Statement No. 75 and its impact to CalSTRS financial reporting and, if applicable, will implement it in the financial statements for the fiscal year ending June 30, 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 64, 74, and 82. This Statement establishes the hierarchy of generally accepted accounting principles (GAAP) for state and local governments. Management has evaluated GASB Statement No. 76 and determined it does not have an effect on CalSTRS financial reporting.

Required Supplementary Information—Unaudited

California State Teachers' Retirement System

Schedule of Changes in Net Pension Liability for Employers and Nonemployer Contributing Entity

(Dollars in Millions)

Schedule I

State Teachers' Retirement Plan Year ended June 30[1]		2015		2014
Total Pension Liability				
Service Cost	$	5,556	$	5,338
Interest		18,556		17,822
Changes of benefit terms		-		-
Differences between expected and actual experience		(1,312)		-
Changes of assumptions		-		-
Benefit payments, including refunds of member contributions		(12,565)		(12,035)
Net change in total pension liability	$	10,235	$	11,125
Total pension liability—beginning		248,911		237,786
Total pension liability—ending (a)	$	259,146	$	248,911
Plan fiduciary net position				
Contributions- member		2,510		2,264
Contributions- employer		2,678		2,272
Contributions- state		1,426		1,383
Net investment income		7,612		30,402
Other income		4		2
Benefit payments, including refunds of member contributions		(12,565)		(12,035)
Administrative expense		(145)		(154)
Other expenses		(10)		(9)
Net change in plan fiduciary net position	$	1,510	$	24,125
Plan fiduciary net position—beginning (as previously stated)		190,474		166,349
Adjustment for application of GASB 68[2]		(162)		-
Plan fiduciary net position—beginning (as adjusted)	$	190,312	$	166,349
Plan fiduciary net position—ending (b)	$	191,822	$	190,474
Net pension liability (asset) of employers and the state—ending (a) - (b)[3]	$	67,324	$	58,437

1) This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

2) Adjustment was made to the STRP due to implementation of GASB 68 which resulted in a decrease in beginning net position for fiscal year 2014-15.

3) The Net Pension Liability for fiscal year 2013-14 does not include a $161.9 million reduction to the net position as a result of CalSTRS implementation of GASB 68.

California State Teachers' Retirement System

Schedule of Net Pension Liability of Employers and Nonemployer Contributing Entity

(Dollars in Millions) **Schedule II**

State Teachers' Retirement Plan

Year Ended June 30 [1]	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) of Employers and the State (a - b)[3]	Plan Fiduciary Net Position as a Percentage of Total Pension Liability (b/a)	Covered-Employee Payroll [2] (c)	Net Pension Liability (Asset) of Employers and the State as a Percentage of Covered-Employee Payroll (a-b)/c
2015	$ 259,146	$ 191,822	$ 67,324	74%	$ 32,026	210%
2014	248,911	190,474	58,437	77%	27,486	213%

1) This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

2) CalSTRS reported estimated total compensation (pensionable and non-pensionable compensation) beginning fiscal year 2014-15; compared to pensionable compensation only for fiscal year 2013-2014.

3) The Net Pension Liability for fiscal year 2013-14 does not include a $161.9 million reduction to the net position as a result of CalSTRS implementation of GASB 68.

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND NONEMPLOYER CONTRIBUTING ENTITY

California State Teachers' Retirement System

Schedule of Contributions from Employers and Nonemployer Contributing Entity

(Dollars in Millions) Schedule III

The information presented in this schedule for the State Teachers' Retirement Plan is required for defined benefit pension plans.

State Teachers' Retirement Plan								
Year Ended June 30 (1)	Actuarially Determined Contributions (a)	Legally Required Contributions for Employers and State	Employer Contributions (2)(3) (b)	State Contributions (4) (c)	Total Contributions (b + c)	Contribution Deficiency (excess) a - (b + c)	Covered-Employee Payroll 5 (d)	Contributions as % of Covered-Employee Payroll (b + c)/d
2015	$ 7,707	$ 4,093	$ 2,667	$ 1,426	$ 4,093	$ 3,614	$ 32,026	13%
2014	7,158	3,641	2,258	1,383	3,641	3,517	27,486	13%

1) This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively because CalSTRS has not previously determined the actuarially determined contribution for the STRP. Years will be added to this schedule in future fiscal years until 10 years of information is available.

2) Excludes $12.5 million and $14.5 million for fiscal year 2014-15 and 2013-14, respectively, in contributions to separately finance specific liabilities of an individual employer, such as benefit enhancements.

3) Includes employer contributions under Education Code sections 22711, 22713, 22905, 22950, 22951, 24260, and 26503, as well as Government Code section 7522.

4) Includes state contributions under Education Code sections 22954 and 22955, as well as Public Resources Code section 6217.

5) CalSTRS reported estimated total compensation (pensionable and non-pensionable compensation) beginning fiscal year 2014-15; compared to pensionable compensation only for fiscal year 2013-14.

The information presented in this schedule for the Teachers' Health Benefit Fund is required for other postemployment benefit plans.

Year Ended June 30	Annual Required Contribution (a)	Employer Contributions (b)	State Contributions (c)	Total Contributions (b + c)	Percentage Contributed (b + c)/a
2015	$ 32	$ 31	$ -	$ 31	97%
2014 [1]	38	33	-	33	87%
2013	38	35	-	35	92%
2012 [1]	57	35	-	35	61%
2011	57	36	-	36	63%
2010 [1]	64	32	-	32	50%

1) The ARCs for 2010, 2012, and 2014 were based on a roll-forward of figures from the June 30, 2008, June 30, 2010 and June 30, 2012 valuations respectively.

California State Teachers' Retirement System
Schedule of Contributions from Employers and Nonemployer Contributing Entity

Schedule III (Continued)

CHANGES OF ASSUMPTIONS
There were changes in economic assumptions used in the June 30, 2014 valuation of the MPP Program. Interest rate for GASB reporting, inflation rate for Part A Premiums, and inflation rate for Part B Premiums for the June 30, 2014 valuation were 3.50 percent, 3.70 percent, and 5.70 percent, respectively. Comparatively, interest rate for GASB reporting, inflation rate for Part A Premiums, and inflation rate for Part B Premiums for the June 30, 2012 valuation were 4.00 percent, 3.50 percent, and 4.50 percent, respectively.

METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS
The following actuarial methods and assumptions were used to determine the actuarially determined contribution for the STRP and the annual required contribution for the MPP Program presented in the Schedule of Contributions from Employers and Nonemployer Contributing Entity:

	State Teachers' Retirement Plan[1]	MPP Program
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of payroll basis	Level Dollar Basis
Amortization Period	Closed/Open[3]	Closed
Remaining Amortization Period	32 years	22 years
Asset Valuation Method	adjustment to market value	Fair market value of net assets
Actuarial Assumptions:		
Investment Rate of Return	7.5%[2]	3.50%
Interest on Accounts	4.50%	Not applicable
Wage Growth	3.75%	Not applicable
Consumer Price Inflation	3.00%	3.00%
Post-retirement Benefit Increases	2.00% simple	Not applicable
Healthcare Cost Trend Rate		
Part A Premiums	Not applicable	3.70%
Healthcare Cost Trend Rate		
Part B Premiums	Not applicable	5.70%

1) The assumptions shown above are for the actuarially determined contributions (ADC) of the DB Program. For the portion of the STRP ADC attributable to the DBS, CBB and SBMA Programs, contributions recognized on an accrual basis for the current year have been used.

2) The actuarially determined contribution is a funding amount, which is calculated using a 7.50 percent assumed investment rate of return, net of investment and administrative expenses. The 7.60 percent disclosed in Note 3 (Net Pension Liability) is net of investment expenses, but gross of administrative expenses and used to calculate the net pension liability for financial reporting.

3) The actuarial gains/losses and the unfunded actuarial obligation are amortized over a closed period for the DB Program, in contrast to the use of an open amortization period for the DBS and CBB Programs.

SCHEDULE OF MONEY-WEIGHTED INVESTMENT RETURNS

California State Teachers' Retirement System
Schedule of Money-Weighted Investment Returns

Schedule IV

Year Ended June 30 [1]	Annual Money-Weighted Rate of Return, Net of Investment Expenses
2015	4.1%
2014	18.6%

1) This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SCHEDULE OF FUNDING PROGRESS (MEDICARE PREMIUM PAYMENT PROGRAM ONLY)

California State Teachers' Retirement System

Schedule of Funding Progress (Medicare Premium Payment Program only)

(Dollars in Millions) Schedule V

Actuarial Valuation Date as of June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
Teachers' Health Benefits Fund						
Medicare Premium Payment Program						
2015	(1)	(1)	(1)	(1)	(1)	(1)
2014	$ 0.9	482.0	$ 481.1	0.2%	(2)	N/A
2013	(1)	(1)	(1)	(1)	(1)	(1)
2012	0.4	582.0	581.6	0.1%	(2)	N/A
2011	(1)	(1)	(1)	(1)	(1)	(1)
2010	0.6	905.0	904.4	0.1%	5,011	18%
2009	(1)	(1)	(1)	(1)	(1)	(1)

1) An actuarial valuation for the MPP Program Fund is performed on a biennial basis and not available as of 2009, 2011, 2013, and 2015.

2) As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program. Therefore, the covered payroll is $0 for years 2012 and later.

Other Supplemental Information

California State Teachers' Retirement System

Schedule of Administrative Expenses

(Dollars in Thousands) Schedule VI

	State Teachers' Retirement Plan	Pension2 IRC 403(b) Plan	Pension2 IRC 457 Plan	Teachers' Health Benefits	Teachers' Deferred Compensation	Totals
Personnel Services:						
Salaries and Wages	$ 57,796	$ -	$ -	$ 165	$ 272	$ 58,233
Staff Benefits	13,175	-	-	41	84	13,300
Accrued Pension and OPEB Expense	18,478	-	-	50	87	18,615
Total Personnel Services	**$ 89,449**	**$ -**	**$ -**	**$ 256**	**$ 443**	**$ 90,148**
Operating Expenses and Equipment:						
General	$ 998	$ -	$ -	$ 88	$ 42	$ 1,128
Depreciation/amortization	11,335	-	-	-	-	11,335
Printing	588	-	-	-	6	594
Communications	858	-	-	-	-	858
Postage	835	-	-	-	-	835
Travel	648	-	-	-	7	655
Training	629	-	-	-	-	629
Facilities Operations	7,881	-	-	-	-	7,881
Consultants and Professional Services	11,452	1,405	47	-	467	13,371
Information Technology	9,190	-	-	-	-	9,190
Indirect State Central Services	6,771	-	-	16	31	6,818
Equipment	4,196	-	-	-	-	4,196
Other	409	-	-	-	-	409
Total Operating Expenses and Equipment:	**$ 55,790**	**$ 1,405**	**$ 47**	**$ 104**	**$ 553**	**$ 57,899**
Total	**$ 145,239**	**$ 1,405**	**$ 47**	**$ 360**	**$ 996**	**$ 148,047**

California State Teachers' Retirement System
Schedule of Investment Expenses
(Dollars in Thousands) Schedule VII

	Contract Start Date	Amount
Investment Management Fees		
Aberdeen Asset Management Inc.	12/15/06	$ 2,435
AGF Investments America, Inc.	3/19/07	873
Analytic Investors, LLC	9/1/14	239
AQR Capital Management Holdings, LLC	12/1/14	294
Baillie Gifford Overseas, Ltd.	1/15/06	6,234
Batterymarch Financial Management, Inc.	5/11/99	2,240
Bivium Capital Partners, LLC	2/15/08	2,516
BlackRock Financial Management, Inc.	3/12/07	3,790
BlackRock Institutional Trust, N.A.	10/27/98	1,685
BlackRock International, Ltd.	5/12/99	1,818
BlackRock Realty Advisors, Inc.	1/1/14	3,044
Capital Prospects, LLC	2/15/08	1,403
CBRE Global Investors	7/1/99	10,008
Chicago Equity Partners	11/1/98	811
Columbia Management Investment Advisers, LLC	10/1/11	1,151
Credit Suisse Asset Management, LLC	9/1/11	1,358
Delaware Investment Advisors	11/1/98	3,882
Delphi Management, Inc.	1/1/99	1,213
Denver Investments Advisors, LLC	1/1/99	163
DuPont Capital Management Corporation	10/1/11	2,032
FDO Partners, LLC	1/1/10	3,188
First Quadrant, LP	11/1/98	1,187
FIS Group, Inc.	2/27/04	2,405
Gateway Investment Advisers, LLC	12/1/14	140
Generation Investment Management	3/19/07	12,691
Heitman Captial Management, LLC	7/1/99	3,716
ING Clarion Partners	1/1/14	3,611
JP Morgan Investment Management, Inc	1/1/14	1,181
Lazard Asset Management, LLC	5/18/99	12,940
Leading Edge Investment Advisors, LLC	2/15/08	2,110
Lee Overlay Partners, Ltd.	10/15/09	5,738
Light Green Advisors	4/30/07	200
LM Capital Group, LLC	12/19/06	859
Mellon Capital Management Corp.	1/27/13	72
Millennium Global Investments, Ltd.	7/1/10	3,188
Mondrian Investment Partners, Ltd.	5/13/99	7,562
Morgan Stanley Investment Management, Inc.	5/18/99	1,235
New Amsterdam Partners, LLC	3/19/07	426
Northern Trust Global Advisors, Inc.	1/23/04	1,362
Oechsle International Advisors, LLC	5/19/99	2,281

California State Teachers' Retirement System
Schedule of Investment Expenses
(Dollars in Thousands) Schedule VII (Continued)

	Contract Start Date	Amount
Parametric Portfolio Associates, LLC	12/1/14	$ 132
Post Advisory Group, LLC	1/31/02	1,811
Principal Global Investors	2/15/02	11,945
Progress Investment Management	2/15/08	2,982
Pyramis Global Advisors Trust Co.	2/1/00	2,635
Sasco Capital, Inc.	10/30/98	1,028
Schroder Investment Management	9/1/14	2,662
Silvercrest Asset Management	7/1/11	1,179
State Street Global Advisors Trust Co.	12/1/00	2,548
Sterling Capital Management, LLC	3/11/04	1,006
T. Rowe Price Associates, Inc.	1/15/06	3,897
TCW Asset Management Company	12/15/98	174
Templeton Asset Management, Ltd.	5/18/99	3,228
The Lionstone Group	1/1/14	3,783
Thomas Properties Group, LLC	11/15/99	246
UBS Global Asset Management (Americas)	11/1/98	1,427
Western Asset Management Co.	10/30/06	1,690
Miscellaneous	N/A	5
Total Investment Management Fees		**$ 155,659**
Advisors and Consultants		
Altius Associates, Ltd.	6/1/08	513
Bard Consulting, LLC	9/20/07	959
Bickmore Risk Services and Consulting	12/1/09	146
Callan Associates	9/20/07	116
Cambridge Associates, LLC	6/1/08	3,121
Capital Hotel Management, LLC	9/20/07	42
Courtland Partners, Ltd.	9/20/07	145
David L. Bonuccelli & Associates, Inc.	9/20/07	1,329
Hewitt Ennisknupp, Inc.	7/15/11	25
Invesco Advisers, Inc	1/1/14	938
LP Capital Advisors, LLC	1/1/12	50
Lyxor Asset Management, Inc.	8/1/11	1,841
Meketa Investment Group, Inc.	1/1/12	490
Pension Consulting Alliance, Inc.	7/1/10	1,505
The Townsend Group, Inc.	3/1/13	372
Valuation Research Corporation	8/1/01	55
Total Advisors and Consultants		**$ 11,647**

California State Teachers' Retirement System

Schedule of Investment Expenses

(Dollars in Thousands) Schedule VII (Continued)

	Contract Start Date	Amount
External Services-Legal and Attorney Fee		
Berman DeValerio	4/19/11	$ 170
BLA Schwartz, PC	11/1/13	49
Covington & Burling, LLP	4/20/11	64
Cox, Castle & Nicholson, LLP	11/30/09	1,733
Freshfields Bruckhaus Deringer	5/1/12	22
Girard Gibbs, LLP	7/1/11	20
Grant & Eisenhofer	9/1/10	30
Groom Law Group, Chartered	7/1/12	86
Hanson Bridgett, LLP	5/31/14	24
Morgan, Lewis & Bockius, LLP	12/9/10	214
Pepper Hamilton, LLP	4/1/11	57
Proskauer, LLP	3/9/11	770
Reed Smith, LLP	4/13/10	17
Sheppard Mullin Richter & Hampton LLP	4/5/10	109
Miscellaneous	N/A	10
Total External Services-Legal and Attorney Fee		**$ 3,375**
Master Custodian		
State Street Bank & Trust Co	7/1/01	7,197
Total Master Custodian		**$ 7,197**
Research and Rating Services		
Accounting Research & Analytics, LLC	1/1/15	25
CEM Benchmarking Inc.	7/1/14	70
Cornerstone Macro, LP	1/1/15	50
CoStar Portfolio Strategy, Inc.	5/3/11	34
Covenant Review, LLC	1/1/15	50
Creditsights, Inc.	12/30/14	24
EIRIS Conflict Risk Network Ltd	2/1/15	13
Equilar, Inc.	7/1/14	40
eVestment Alliance Holdings, Inc.	8/1/14	24
FactSet Research System, Inc.	7/1/12	645
Farient Advisors LLC	3/1/14	36
Fitch Ratings, Inc.	1/1/15	82
Glass Lewis & Co., LLC	6/1/10	726
GMI Ratings	7/1/14	96
GNA Services, LLC	1/1/15	25
IdealsWork, Inc.	7/1/14	12

California State Teachers' Retirement System

Schedule of Investment Expenses

(Dollars in Thousands) Schedule VII (Continued)

	Contract Start Date	Amount
Informa Investment Solutions	1/12/15	$ 24
Institutional Shareholder Services	1/1/14	440
Investor Communications Network, LLC	1/1/14	19
KDP Investment Advisors, Inc.	10/1/14	37
Moody's Investors Service	1/1/15	348
Morningstar, Inc.	7/1/14	50
MSCI ESG Research, Inc.	1/1/14	354
MSCI, Inc.	5/1/13	142
Preqin Limited	4/30/15	29
Real Estate Research Corporation	9/20/07	235
Russell Investment Group	7/1/14	40
Standard & Poor's	8/1/12	435
Strategas Securities, LLC	1/1/14	25
Sustainable Investments Institute	7/1/14	27
Technical Analysis Group, LLC	2/3/15	28
Thomson Reuters Markets, LLC	9/1/13	129
Trepp, LLC	1/1/10	56
Trucost PLC	7/1/14	59
University of Toronto	5/1/14	21
Miscellaneous	N/A	13
Total Research and Rating Services		**$ 4,463**
Risk Management Systems		
Barclays Risk Analytics and Index Solutions Limited	7/1/15	75
BlackRock Financial Management, Inc.	7/1/06	5,142
MSCI, Inc. d/b/a Barra, LLC	4/1/15	95
Total Risk Management Systems		**$ 5,312**
Trading Systems		
Bloomberg, LP	9/6/12	677
Fixed Income Clearing Corp	7/1/12	12
Intex Solutions, Inc.	9/1/11	145
IPC Systems, Inc	7/1/14	36
Market Axess Corporation	10/1/12	23
Markit N.America Inc. / Markit Group	7/15/12	124
Omgeo, LLC	11/1/09	13
Miscellaneous	N/A	1
Total Trading Systems		**$ 1,031**

California State Teachers' Retirement System
Schedule of Investment Expenses
(Dollars in Thousands) Schedule VII (Continued)

	Contract Start Date	Amount
Operating Expenses		
Administrative Costs		$ 21,518
Alliant Insurance Services		893
Council of Institutional Investors		30
EFL Associates		24
Miscellaneous		8
Total Operating Expenses		**$ 22,473**
Subtotal		**$ 211,157**
Other Investment Expenses		
Foreign Tax Withheld		39,150
Real Estate		126
Miscellaneous		9,912
Total Other Investment Expenses		**$ 49,188**
Total		$ 260,345

California State Teachers' Retirement System
Schedule of Consultant and Professional Services Expenses
(Dollars in Thousands) **Schedule VIII**

Individual or Firm		Commission/Fee	Nature of Services
State Teachers' Retirement Plan			
Milliman, Inc.	$	527	
	$	**527**	**Actuarial Services**
Crowe Horwath LLP		2,108	
KPMG LLP		40	
Macias, Gini & O'Connell, LLP		18	
	$	**2,166**	**Auditing Services**
22nd Century Technologies, Inc.		72	
Adtech Global Solutions, Inc.		133	
Allegiance, Inc.		49	
Angus-Hamer, Inc.		45	
Audio Fidelity Communications Corp.		41	
Background Profiles, Inc.		45	
CalGov Technology		40	
CEM Benchmarking Inc.		45	
Ciber, Inc.		4,873	
Clifton Larson Allen, LLP		36	
Daniel J. Edelman, Inc.		172	
Department Of Human Resources		45	
Department of General Services		195	
Digital Deployment, Inc.		65	
Dr. Robert Yetman		56	
Employment Development Department		44	
Enterprising Service Providers, LLC		210	
Entisys Solutions, Inc.		65	
ExamWorks, Inc.		77	
Forrester Research, Inc.		178	
Gartner, Inc.		260	
Global Governance Advisors, LLC		40	
GoldLink Pacific, Inc.		149	
Government Operations Agency		196	
Grant Thornton, LLP		516	
Group One Consultants, Inc.		27	
Guardian Protection Force, Inc.		124	
Hewitt EnnisKnupp, Inc.		102	
Informatix, Inc.		79	
Integratech, Inc.		35	
International Network Consulting		173	
Jaykumar Maistry		210	
Jones Lang LaSalle Americas, Inc.		30	
LRWL, Inc.		510	
Mailing Systems, Inc.		44	

California State Teachers' Retirement System
Schedule of Consultant and Professional Services Expenses
(Dollars in Thousands) **Schedule VIII (Continued)**

Individual or Firm	Commission/Fee	Nature of Services
McLagan Partners, Inc.	$ 13	
MetaVista Consulting Group	16	
Metric Studios, LLC	13	
Montridge Consulting	115	
Morningstar Credit Ratings, LLC	17	
Nexus IS, Inc.	31	
O.C. Tanner Recognition Company	48	
Office of Administrative Hearings	71	
OnCore Consulting, LLC	763	
Pace Harmon, LLC	172	
Patriot IT Corporation	16	
Pension Benefit Information, Inc.	23	
Pinnacle Consulting	214	
ProProse, LLC	32	
Providence Technology Group	464	
S&P Capital IQ	27	
SHI International Corp.	43	
Sierra Metrics, Inc.	202	
SoftSol Technologies, Inc.	830	
State Controller's Office	1,670	
State Personnel Board	28	
Thomas V. Ennis Consulting	211	
Thomas/Ferrous, Inc.	107	
Toastmasters International	13	
Unisys Corporation	203	
University Enterprises, Inc.	51	
UST Global Inc.	30	
Visionary Integration Professionals	204	
	$ 14,608	Consulting Services
California Department Of Justice	511	
Hogan Lovells US, LLP	247	
Murphy Austin Adams Schoenfeld, LLP	48	
Olson, Hagel & Fishburn, LLP	135	
Reed Smith, LLP	486	
	$ 1,427	Legal Services
Fresno County Office Of Education	283	
Humboldt County Office Of Education	41	
Kern County Office of Education	228	
Orange County Office of Education	106	
Placer County Office Of Education	106	
San Bernardino County of Education	51	
San Diego County Office Of Education	289	
San Jose Unified School District	(24)	

SCHEDULE OF CONSULTANT AND PROFESSIONAL SERVICES EXPENSES

California State Teachers' Retirement System
Schedule of Consultant and Professional Services Expenses
(Dollars in Thousands) **Schedule VIII (Continued)**

Individual or Firm	Commission/Fee	Nature of Services
San Joaquin County Office Of Education	$ 84	
Santa Barbara County Office of Education	124	
Santa Cruz County Office of Education	143	
Stanislaus County Office of Education	83	
	$ 1,514	Regional Counseling Services
Others	155	
	$ 155	Various Services Under $10K
Gross Consulting and Professional Services	$ 20,397	
Less: Amounts Capitalized	8,945	
Consulting and Professional Services Net of Amounts Capitalized:	$ 11,452	
IRC 403(b) Plan		
TIAA-CREF	505	
Voya Institutional Plan	900	
Consulting and Professional Services:	$ 1,405	Administrative Services
IRC 457 Plan		
TIAA-CREF	16	
Voya Institutional Plan	31	
Consulting and Professional Services:	$ 47	Administrative Services
Teachers' Deferred Compensation Fund		
JEM Resource Partners, LP	375	
Meridian Fiduciary Consulting	87	
Morningstar Credit Ratings, LLC	5	
Consulting and Professional Services:	$ 467	Consulting Services

2007
2008
2009
2010
2011
2012
2013
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2015
2016
2017
2018
2019

The CalSTRS Investment Portfolio **increased by $2.3 billion** over the past 12 months, ending with a value of **$191.4 billion** on June 30, 2015.

INVESTMENTS

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The CalSTRS Investment Portfolio increased by $2.3 billion over the past twelve months, ending with a value of $191.4 billion on June 30, 2015. As highlighted below, the CalSTRS portfolio is broadly diversified, holding investments ranging from publicly traded short-term bonds to privately held partnerships. Clearly, the scale and breadth of investments make the management and oversight of these assets highly complex. In light of these factors, CalSTRS has been effective in utilizing its resources in a cost-efficient manner to ensure that benefits continue to flow to CalSTRS participants.

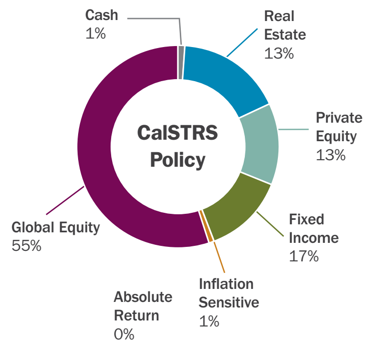
Investment Allocation

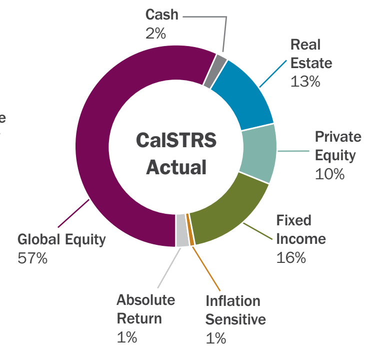
The Teachers' Retirement Board adopts long-term strategic allocation targets to be implemented over several years. The fiscal year-end report reflects strategic allocation guidelines for the 2014–2015 fiscal year as adopted by the board, September 2013 (see left pie chart). The portfolio's actual allocation was slightly different from policy (see right pie chart). As of June 30,2015, the Global Equity, Absolute Return, and Cash classes were modestly overweighted, while the Fixed Income and Private Equity classes were slightly underweighted. The Real Estate and Inflation Sensitive classes were in-line with policy. (see right pie chart).

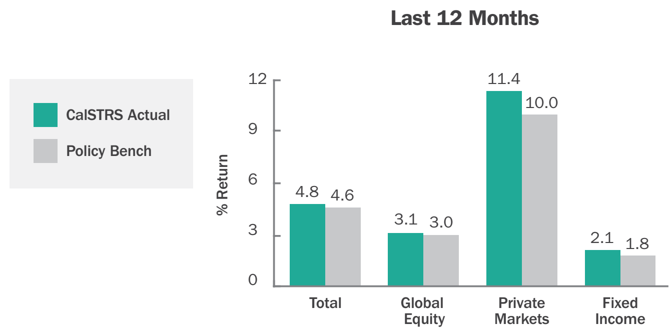
Investment Results

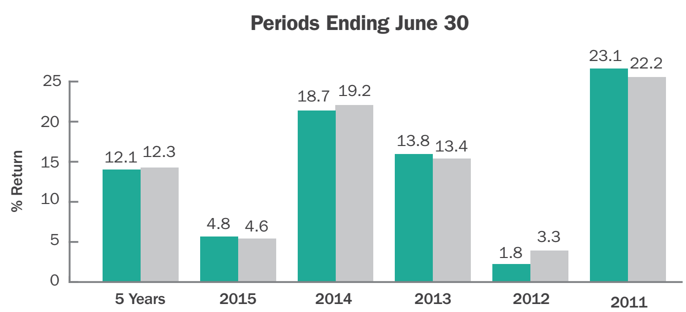
Over the last year, the CalSTRS Investment Portfolio produced an absolute return of 4.8%, ranking in the first quartile among its large public pension fund peers[1] (top bar chart). During this period, CalSTRS's portfolio results outperformed the policy benchmark return by 20 basis points[2]. Relative outperformance by the Global Equity, Fixed Income, and Private Markets classes contributed to this result.

During the last three years, CalSTRS's portfolio generated a 12.3% average annual return, ranking in the first quartile among peer funds. Over the last five years, the CalSTRS Investment Portfolio produced an average annual return of 12.1%, trailing its policy benchmark by (20) basis points per year (bottom bar chart). Due in large part to benchmark









misspecification, the Private Equity strategic class was the primary contributor to the relative underperformance over this period. Overall, these total portfolio results are well-above CalSTRS's actuarial rate of return. Successive one-year periods are presented here as well. CalSTRS's portfolio has outperformed its policy benchmark in three of the last five fiscal year periods ending June 30[3].

Pension Consulting Alliance, Inc.

[1]Per Wilshire TUCS Universe of Master Trust Public Funds with assets in excess of $10 billion.

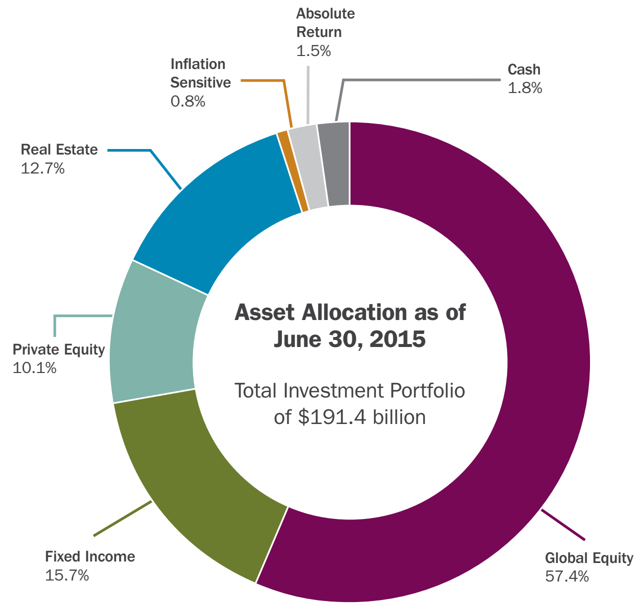
[2]The policy benchmark consists of passively managed strategic class portfolios weighted by CalSTRS's policy allocations. The difference between actual results and the benchmark are due to two factors: i) deviations from policy and ii) active decisions on the part of CalSTRS and its investment managers.

[3]CalSTRS's investment performance is calculated using a daily time-weighted return geometrically linked to calculate a monthly return. Periods longer than one month are geometrically linked to calculate annualized "time-weighted" rates of return.

INVESTMENTS

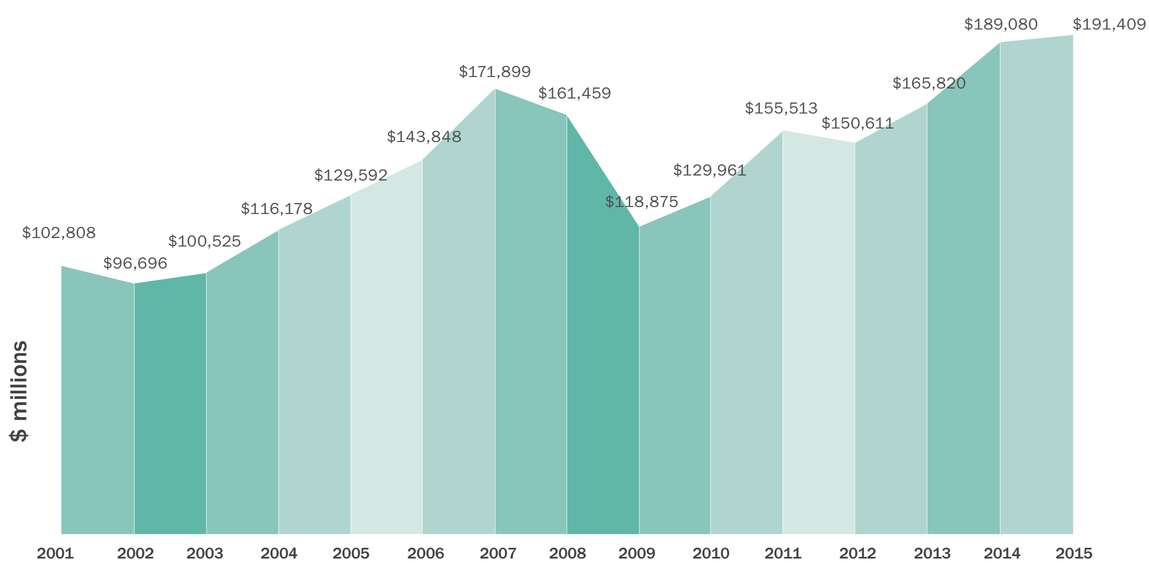
Investments and the related returns for the CalSTRS Investment Portfolio are presented differently within the Investments and Financial sections of the CAFR. In the preceding pages, press releases and on the Internet, the investment and related returns are presented using common industry practices that reflect the way in which CalSTRS manages the investment portfolio. The presentation based on industry practices provides timely information that is easily compared to benchmarks and peer results. Within the financial section, the same information is reported in accordance with Generally Accepted Accounting Principles. The primary difference between the presentations is in the way investments are categorized. Additional differences result from the timing of recognition of performance for long-term investments in the portfolio. In accordance with industry practices, private asset performance is reported with a quarter lag, while for financial reporting purposes, adjustments may be made to bring results current through fiscal year end.

As shown on Table 3, performance information in the CAFR is reported as gross returns and is calculated using a time-weighted return methodology. For the most current investment portfolio information, we encourage the public and the CAFR reader to refer to the CalSTRS website. The investment information on the CalSTRS website is reported consistent with investment industry standards and is comparable to the global financial markets and other pension plans and institutional investors.



After five consecutive years of a strong bull market for U.S. equities, the market slowed the advance. Non-U.S. stocks were mixed as global issues raised the overall risk profile. As a result, it was a difficult year to produce strong returns. In the 2014–15 fiscal year CalSTRS generated 4.8 percent return on its investments. One year is a very short time period in the thirty-year investment horizon of CalSTRS, so it is much more meaningful to review the investment performance over longer time periods. At June 30, 2015

Table 1 Market Value of Investments (dollars in millions)

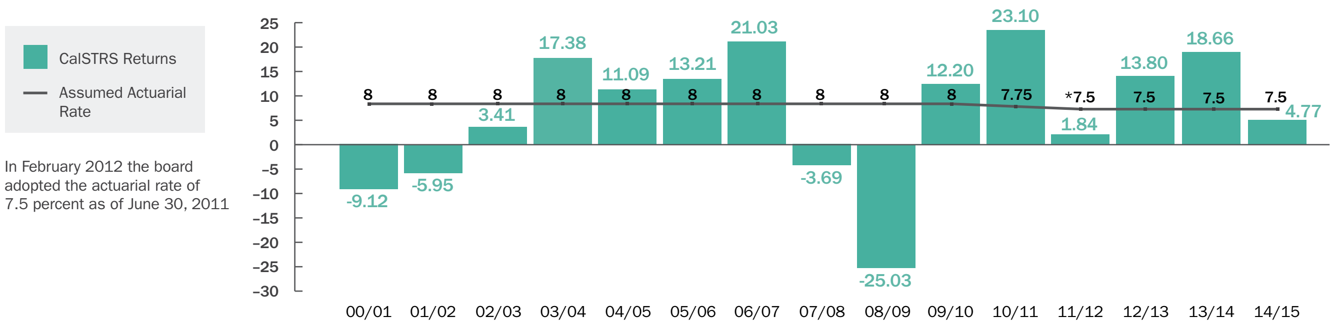


Portfolio values and performance results may vary from information presented in the Basic Financial Statements due to rounding, portfolio management requirements and Generally Accepted Accounting Principles.

the investment portfolio generated a 7.8 percent return over the past 20 years and a 7.0 percent over the last ten year, which incorporates the worst recession since the 1930 Great Depression. CalSTRS returns ranked in the top quartile for the year and top docile over three years of U.S. public pension plans.

While this annual report provides a significant amount of information regarding the CalSTRS Investment Portfolio, it only represents one point in time, June 30, 2015. It is difficult to compare this time measurement to the movement and complexity of the investment portfolio in this highly dynamic global financial market. As previously mentioned, the reader is strongly encouraged to visit CalSTRS.com and other publications for more current investment information.

Table 2 Annual Gross Returns (percent)



* In February 2012 the board adopted the actuarial rate of 7.5 percent as of June 30, 2011

Table 3 Time-Weighted Gross Performance Returns for Major Asset Categories

Portfolio Type/Associated Indicies	1 Yr	3 Yr	5 Yr	10 Yr
Total Fund	**4.77%**	**12.26%**	**12.14%**	**7.02%**
Total Fund Custom (1)	4.64	12.26	12.29	7.19
Global Equity	**3.12**	**15.30**	**14.41**	**7.47**
Global Equity Custom (2)	3.02	15.09	14.20	7.29
U.S. Equity	**7.14**	**18.03**	**17.58**	**8.08**
Russell 3000	7.25	17.86	17.48	8.04
Non-U.S. Equity	**(4.75)**	**10.02**	**8.14**	**6.08**
MSCI All Country World Index ex-U.S.	(5.26)	9.50	7.67	5.54
MSCI Europe, Australia, Far East & Canada	(5.34)	11.21	8.87	5.04
MSCI Emerging Market	(4.98)	3.79	3.66	8.14
Fixed Income	**2.10**	**2.92**	**4.29**	**5.02**
U.S. Debt Custom (3)	1.75	2.07	3.61	4.58
Barclays Capital U.S. Aggregate	1.86	1.83	3.35	4.44
Barclays Capital High Yield Cash Pay	(0.38)	6.80	8.59	7.94
Real Estate	**13.44**	**14.03**	**13.72**	**6.89**
Real Estate Custom (lagged 1 quarter) (4)	12.40	11.89	13.01	8.52
Private Equity	**9.08**	**14.13**	**14.04**	**12.31**
Private Equity Custom (lagged 1 quarter) (5)	7.62	17.10	16.34	10.11
Inflation Sensitive	**(4.73)**	**2.48**	**5.11**	**-**
Inflation Sensitive Custom (6)	0.60	4.28	6.45	-
Barclays Global Inflation Linked	(4.23)	1.52	4.75	4.37
Infrastructure Custom Index (7)	5.13	6.37	6.91	7.12
Absolute Return (8)	**1.02**	**0.47**	**0.25**	**-**
Absolute Return Custom (9)	1.03	1.08	-	-
Cash/Liquidity (10)	**0.33**	**0.97**	**3.83**	**1.73**
Barclays Capital 3-Month Treasury Bill (11)	0.03	0.08	0.10	1.45

CalSTRS' investment performance is calculated using a daily time-weighted return geometrically linked to calculate a monthly return. Periods longer than one month are geometrically linked to calculate annualized 'time-weighted' rates of return. Prior to April 2014, the public indicies were tobacco-free. In April 2014, the Teachers' Retirement Board approved to exclude firearm investments which excludes securities of companies that manufacture firearms that are illegal in California.

(1) Policy weighted blend of asset class benchmarks.

(2) Weighted blend of Russell 3000 combined with the MSCI All Country World Index (ex-U.S.), both CalSTRS restricted geopolitical, tobacco and firearms free.

(3) 95% Barclays Capital U.S. Aggregate + 5% U.S. High Yield Cash Pay 2% Issuer Constrained Index, both tobacco and firearms free. Previously named LB U.S. Aggregate tobacco free through 03/31/2007.

(4) NCREIF ODCE Value Net of Fees Index. Previously NCREIF through 06/30/2013.

(5) State Street Private Equity Index qtr lag. Previously Russell 3000 + 3% tobacco free from 10/01/2008 through 6/30/2014 and firearms free from 5/1/2014. Previously Russell 3000 + 5% + Barclays Capital 3-Month Treasury Bill from 04/01/1999 through 09/30/2008.

(6) Weighted blend of Barclay's Global Inflation Linked and Infrastructure Index effective 07/01/2012.

(7) Consumer Price Index (CPI) + 4% qtr lag. Previously Consumer Price Index (CPI) + 5% through 6/30/2014.

(8) Absolute Return name change board approved September 2013; Asset class formally adopted by the board April 2012 with a portion of assets held by CalSTRS more than five years.

(9) Barclays Capital 3-Month Treasury Bill plus 1%. Benchmark returns not applicable for 5 and 10 year periods.

(10) Includes the Securities Lending Program loss incurred in FY 2008-2009 and subsequent income earned through December 2013.

(11) Previously Citigroup 3-Month Treasury Bill prior to 07/01/2006.

Absolute Return

The Absolute Return asset class consists of three separate areas: Innovation, Strategic Overlay and Stable Return.

Innovation and Risk (Innovation)

The Innovation Portfolio, managed by the Innovation and Risk unit (IR), is a subset of the Absolute Return asset class with a long-term allocation goal not to exceed 2.5 percent of the total plan assets. The Innovation Portfolio Policy was approved in March 2009 with the primary goal to research, incubate and recommend new investment opportunities to the board. Each new strategy is expected to improve the risk/return efficiency of the total plan or an asset class by increasing its return, decreasing its risk or achieving both. The unit is also building a fund-wide risk management process, which will help CalSTRS monitor risk factors driving performance of the investment portfolio. The framework will help improve CalSTRS' investment process and provide tools to lessen the impact of a severe macroeconomic or market event.

As of June 30, 2015, the Innovation Portfolio had total assets of approximately $2.5 billion. The Innovation Portfolio returned 5.4 percent, outperforming its policy benchmark by 220 basis points for the fiscal year ending June 30, 2015. For more detailed information on the type and commitment size of strategies being incubated, refer to the Innovation and Risk - Quarterly Activity Reports in the Investments section of CalSTRS.com.

Currency Management Program (Overlay)

The Currency Management Program, managed by the Fixed Income unit, is designed to address the global nature of all the fund's assets and attempts to add value on a fund-wide basis. The currency markets are some of the most liquid and volatile markets which CalSTRS operates within. The internally managed Core strategy performance was positive by 2 basis points for the year ending June 30, 2015, while the Opportunistic external strategy had its best year since inception, outperforming by 190 basis points for same period. Some of the outperformance can be attributed to fundamentals helping to drive currency prices along with the managers taking advantage of a depreciating euro for most of the year. Since inception, the Currency Management Program has added over 53 basis points on an annualized basis to the value of the fund.

Home Loan Program (Stable Return)

The CalSTRS Home Loan Program was established by legislation in 1984 and provided home ownership to qualified participants, which attributed to CalSTRS' investment mortgage asset objectives. New home loan origination activity was suspended by the board on October 1, 2011; however, staff continues to manage the existing assets of $165.7 million, as of June 30, 2015.

Credit Enhancement (Stable Return)

CalSTRS enters into agreements with a number of domestic issuers of debt to provide credit support and/or liquidity support on specific debt obligations. In return, CalSTRS earns fee income for these commitments. As of June 30, 2015, the Credit Enhancement Program had commitments of approximately $463.0 million and fee income earned during the fiscal year was approximately $5.8 million.

Inflation Sensitive

For the fiscal year ending June 30, 2015, the $1.5 billion Inflation Sensitive Portfolio represented 0.8 percent of the total fund with a current allocation goal of one percent. Global Inflation Securities (Linkers) represent 36 percent of this asset class with the balance consisting of Infrastructure investments. The long-term allocation target, as set by the board in September 2013, for the Inflation Sensitive Portfolio is six percent allocated between Linkers and Infrastructure.

The Inflation Sensitive Portfolio returned a negative 4.7 percent for the fiscal year ending June 30, 2015, versus the benchmark return of 0.6 percent. The Linkers portfolio had a negative return of 4.3 percent while the Infrastructure portfolio returned a negative 4.7 percent. Over the previous three years, the Inflation Sensitive Portfolio underperformed its benchmark by 180 basis points.

Short-term results for the Infrastructure portion of this portfolio are not particularly significant, as performance expectations will be better measured over the long term as investments mature and achieve their full cash flow potential. Some infrastructure commitments have begun to enter a more mature phase as they approach their three-to-five year window, and the asset class will begin to achieve greater cash flow potential over time. For more information about the Inflation Sensitive Portfolio, refer to the Investment section of CalSTRS.com.

Fixed Income

For the fiscal year ending June 30, 2015, the Fixed Income Portfolio had total assets of $30.1 billion representing 15.7 percent of the total fund. The Fixed Income unit operates a hybrid model portfolio which takes advantage of the benefits and efficiencies of both internal and external asset management. Eighty-two percent of the portfolio's assets are managed by internal staff using enhanced core and high yield strategies with a moderate level of risk. The remaining 18 percent is managed by external managers using broader opportunistic strategies which assume a higher level of risk and therefore a higher level of expected return. The Fixed Income Portfolio outperformed its benchmark by 35 basis points (2.10 percent vs. 1.75 percent). The three, five, and ten year returns were positive and have outperformed the benchmark by 85, 68, and 44 basis points, respectively. For more information, please review Fixed Income Quarterly Reports.

The Fixed Income unit manages two additional programs: Currency Management, which is discussed in the Overlay section and Securities Lending discussed in the next section.

Securities Lending Program

The Securities Lending Program is a low-risk strategy that allows the Fund to use its existing asset base and lending expertise to generate additional income. Over the past year, income increased by $3.1 million from the previous year despite headwinds of an increased supply of lendable assets and relatively stable loan balances, thus utilization rates crept lower. Also, dealer balance sheets continue to be pressured given pending regulations which lowers borrower demand. This was offset by demand to borrow "specials" (i.e., individual securities with larger spreads) which held steady to slightly increasing during the year, helping income opportunities. Interest rates and spreads for cash collateral stabilized during the fiscal year as short term rates held steady during the period. For the fiscal year ended June 30, 2015, the Securities Lending Program earned approximately $93.6 million in additional income for the Fund. For additional information on the Securities Lending Program, please consult the CalSTRS Securities Lending Program 2014 Annual Report available on CalSTRS.com.

Table 4 **Largest Fixed Income Holdings as of June 30, 2015**
(CalSTRS maintains a complete list of portfolio holdings)

Issue	Maturity Date	Interest Rate	Par	Market Value	Average Cost	Unrealized Gain (Loss)
US TREASURY N/B	10/31/18	1.250%	400,000,000	$401,347,960	$398,535,764	$2,812,196
US TREASURY N/B	8/15/16	0.625	375,000,000	376,057,493	373,462,280	2,595,213
US TREASURY N/B	1/31/18	0.875	365,000,000	365,083,987	361,613,480	3,470,507
US TREASURY N/B	8/15/17	0.875	347,340,000	348,659,857	346,323,213	2,336,644
US TREASURY N/B	9/30/16	0.500	340,000,000	340,445,390	339,568,359	877,031
US TREASURY N/B	5/15/44	3.375	322,160,000	338,274,440	334,571,573	3,702,867
US TREASURY N/B	2/15/25	2.000	347,850,000	337,870,173	348,130,174	(10,260,001)
US TREASURY N/B	1/31/20	1.375	320,000,000	317,548,803	320,743,841	(3,195,038)
US TREASURY N/B	11/30/16	0.500	300,000,000	300,182,991	299,234,375	948,616
US TREASURY N/B	9/30/19	1.750	290,370,000	293,848,604	292,188,513	1,660,091

Private Equity

The Private Equity Portfolio ended the June 30, 2015 fiscal year with a market value of $19.3 billion or 10.1 percent of the total fund. The portfolio consists of investments in limited partnerships which accounts for 93 percent of the allocation with the remaining assets consisting of co-investments.

As shown in Table 3, private equity generated single-digit returns for the one-year period but double-digit returns for the three-, five- and ten-year periods ending June 30, 2015. The program outperformed its benchmark for the one- and ten-year periods but underperformed its benchmark for the three- and five-year periods.

Private equity is a long-term asset class with performance results influenced by various factors. This mixed performance pattern relative to the program benchmark is attributable to several factors including: 1) a change to the benchmark made in 2014 for the 2014–15 period and going forward, while the medium and long term periods continue to reflect a hybrid of previous benchmarks; 2) a heavy concentration of limited partnership investments in the pre-financial crisis vintage years (2006–2008); and 3) continued slow economic growth in the U.S. and flat or slow growth throughout much of the rest of the world.

For current information on the CalSTRS Private Equity Portfolio, please refer to the Investment section of CalSTRS.com.

Real Estate

The Real Estate Portfolio ended the fiscal year 2014–15 with a market value of $24.3 billion or 12.7 percent of the total fund. The portfolio holds real estate investments in limited partnership funds, joint ventures, separate accounts, and other investments which account for 40.4 percent, 34.0 percent, 23.2 percent, and 2.4 percent respectively. Over the last several years, staff has targeted an increase in joint ventures and separate accounts in order to increase internal management control and lower fees. In addition, staff has emphasized an increase in investments in core assets over higher risk strategies.

Real Estate is a long-term asset with performance results influenced by various factors. As shown on Table 3, performance for the period ended June 30, 2015 has been strong and has exceeded its benchmark over the one-, three- and five-year periods. The positive returns are due to strategic investment opportunities and the general growth of the real estate markets. The outperformance over the benchmark can be attributed to: 1) strong performance of value add assets; 2) staff's increased focus on and allocation to top tier partners; and 3) high returns on recent investments that were purchased at distressed pricing. The suboptimal performance relative to the program benchmark in the ten-year period is attributable to other factors including: 1) a low-risk benchmark that is based on low-levered core real estate that has outperformed higher risk investments; 2) an over-concentration of higher risk limited partnership investments in the pre-financial crisis vintage years between 2005–2008; and 3) high leverage on the underlying assets of those investments.

For more up to date information on the CalSTRS Real Estate Portfolio, please refer to the Investment section of CalSTRS.com.

Global Equity

For the fiscal year ended June 30, 2015, the $109.9 billion Global Equity Portfolio represented 57.4 percent of the total fund. U.S. Equity accounted for 66 percent of the total equity allocation, while Non-U.S. Equity accounted for the remaining 34 percent.

The Global Equity Portfolio returned 3.12 percent, outperforming its policy benchmark by 10 basis points (3.12 vs. 3.02 percent). The relative outperformance was driven by the Non-U.S. equity portfolio, which outperformed the Custom MSCI ACWI ex-U.S. Index by 51 basis points (–4.75 percent vs. –5.26 percent). Meanwhile, the U.S. equity portfolio underperformed the Custom Russell 3000 Index by 11 basis points (7.14 percent vs. 7.25 percent). For more information about the Global Equity Portfolio, comprehensive Quarterly Investment Reports can be found in the Investments section of CalSTRS.com.

Corporate Governance

During fiscal year 2014–15, CalSTRS staff voted on 77,461 proxy proposals submitted by 7,110 corporations held in the Fund. The 77,461 proposals represented a 3.7 percent increase from the 74,666 proposals voted in 2013–14.

1. Election of Directors:

CalSTRS generally votes in favor of a director unless the proxy statement shows circumstances contrary to policy. Examples of such circumstances include: potential conflict of interest due to other directorships or employment, providing legal or investment banking advice and poor board meeting attendance (less than 75 percent).

- Number Voted: 17,531
- Voted For: 11,870 (68 percent)
- Voted Against: 5,661 (32 percent)

2. Selection of Auditors:

CalSTRS will vote in favor of the independent auditors recommended by management unless the auditor provides services that run contrary to what CalSTRS policy allows. Examples of such services are: consulting, information system design and implementation, investment banking support and excessive non-audit fees (greater than 30 percent of the total fees billed).

- Number Voted: 2,800
- Voted For: 2,567 (92 percent)
- Voted Against: 233 (8 percent)

Table 5 Largest Equity Holdings as of June 30, 2015
(CalSTRS maintains a complete list of portfolio holdings)

Issue	Shares	Market Value	Average Cost	Unrealized Gain (Loss)
APPLE INC	17,038,622	$2,137,069,164	$1,254,908,434	$882,160,730
MICROSOFT CORP	23,194,847	1,024,052,495	727,253,233	296,799,262
EXXON MOBIL CORP	11,762,879	978,671,533	950,951,331	27,720,202
GOOGLE INC	1,692,751	898,211,751	649,678,021	248,533,730
JOHNSON + JOHNSON	8,824,179	860,004,485	619,666,889	240,337,596
JPMORGAN CHASE + CO	10,969,498	743,293,184	465,348,828	277,944,356
WELLS FARGO + CO	13,206,852	742,753,356	453,905,537	288,847,819
GENERAL ELECTRIC CO	27,306,903	725,544,413	546,687,276	178,857,137
BERKSHIRE HATHAWAY INC CL B	5,309,966	722,739,472	478,681,795	244,057,677
PFIZER INC	19,566,182	656,054,082	466,592,243	189,461,839

3. Compensation Plans (Stock Option Plans, Employee Stock Purchase Plans, etc.):

Companies provide a variety of compensation plans for executives, employees and non-employee directors. Many of these plans provide for the issuance of long-term incentives to attract, reward and retain key employees. Compensation plans are evaluated based on CalSTRS Corporate Governance Principles.

- Number Voted: 1,263
- Voted For: 1,045 (83 percent)
- Voted Against: 218 (17 percent)

4. Advisory Vote on Compensation:

More commonly known as Say-on-Pay, these votes provide shareholders the opportunity to ratify the compensation of the executives named in the proxy. These votes are evaluated based on CalSTRS Corporate Governance Principles.

- Number Voted: 2,201
- Voted For: 1,849 (84 percent)
- Voted Against: 352 (16 percent

5. Approve Merger/Acquisition—Management:

CalSTRS evaluates mergers and acquisitions on a case-by-case basis utilizing a total portfolio view.

- Number Voted: 160
- Voted For: 158 (99 percent)
- Voted Against: 2 (1 percent)

6. Corporate Actions/Corporate Governance Issues:

These are issues related to spin-offs, incorporation, stock issuance, stock splits and bylaw amendments. CalSTRS votes on these proposals on a case-by-case basis.

- Number Voted: 488
- Voted For: 322 (66 percent)
- Voted Against: 166 (34 percent)

7. Miscellaneous Issues—Management:

The most common miscellaneous votes considered are requests to transact other business or adjourn a meeting. CalSTRS votes on these issues on a case-by-case basis.

- Number Voted: 222
- Voted For: 2 (1 percent)
- Voted Against: 220 (99 percent)

8. Frequency of Advisory Vote on Compensation:

More commonly known as Say-When-On-Pay, this vote is a requirement of the Dodd-Frank Act to allow shareholders to vote on the frequency of future advisory votes on compensation. Under the rule, shareholder can choose to vote every one-, two-, or three-years. CalSTRS routinely supports an annual Say-On-Pay vote.

- Number Voted: 105
- 1-year: 105 (100 percent)
- 2-year: 0 (0 percent)
- 3-year: 0 (0 percent)

9. Shareholder Proposals:

CalSTRS votes on a variety of shareholder proposals. Examples of the issues voted on include: social and environmental issues, removing classified boards of directors, requiring an independent board chairman, giving shareholder access to the nomination process, tying compensation plans to company performance, and requiring shareholder approval for large severance packages.

- Number Voted: 615
- Voted For: 457 (74 percent)
- Voted Against: 158 (26 percent)

The Corporate Governance unit continues to manage ten governance funds, which accounts for $4.3 billion in assets under management as of June 30, 2015 with returns of 1.1 percent. These funds invest in companies with poor governance structures and engage management to improve governance and enhance long-term shareholder value.

INVESTMENTS

Cash Balance Benefit Program

The Cash Balance Benefit Program contributions were invested into pooled funds from inception in February 1997 through June 2001. Sixty percent of the contributions were allocated to the S&P 500 Portfolio and forty percent to the Government Index Portfolio. In July 2001, the program's contributions were invested in the State Teachers' Retirement Plan, excluding Private Equity and Real Estate Investments. As of June 30, 2015, the market value was approximately $273.6 million and the rate of return for the Cash Balance Benefit Program for the fiscal year was 2.96 percent.

Defined Benefit Supplement Program

The Defined Benefit Supplement Program contributions were invested in the State Teachers' Retirement Plan, excluding Private Equity and Real Estate Investments from January 2001 through June 2011. In July 2011, the program contributions were invested in the State Teachers' Retirement Plan. As of June 30, 2015, the market value was approximately $11.1 billion and the rate of return for the Defined Benefit Supplement Program for the fiscal year was 4.77 percent.

For further information on the Cash Balance Benefit Program or the Defined Benefit Supplement Program, please see the supplemental program information at CalSTRS.com.

Table 6 Investment Summary for the Current and Previous Fiscal Year
(dollars in millions)

	June 30, 2014		June 30, 2015			
Portfolio Type	Book Value	Net Asset Value	Book Value	Net Asset Value	% of Net Asset Value	Net Value Change
Global Equity	$80,666	$108,350	$85,359	$109,900	57.4%	$1,550
Fixed Income	28,956	29,362	30,240	30,076	15.7%	714
Private Equity	21,111	21,771	20,116	19,306	10.1%	(2,465)
Real Estate	25,322	22,120	26,637	24,326	12.7%	2,206
Inflation Sensitive	1,253	1,342	1,546	1,539	0.8%	197
Absolute Return	1,309	1,397	2,624	2,858	1.5%	1,461
Cash	4,737	4,738	3,403	3,404	1.8%	(1,334)
PORTFOLIO TOTAL	**$163,354**	**$189,080**	**$169,925**	**$191,409**	**100%**	**$2,329**
Adjustments:						
Securities Lending Collateral		22,303		18,029		
Accruals		3,098		2,882		
Cash & Cash Equiv		(288)		(360)		
STRS PLAN ASSETS-INVESTMENTS		**$214,193**		**$211,960**		

Table 7 Schedule of Investment Expenses

July 1, 2014 through June 30, 2015 (dollars in thousands)

Investment Categories	Net Asset Value	Investment Expenses*	Basis Points
Global Equity	$109,899,880	$120,181	10.9
Fixed Income	30,075,739	18,947	6.3
Private Equity	19,306,029	8,584	4.4
Real Estate	24,325,568	48,831	20.1
Inflation Sensitive	1,539,198	331	2.2
Absolute Return	2,858,274	13,538	**
Cash	3,404,127	745	2.2
Total Assets And Expenses	**$191,408,815**	**$211,157**	**11.0**

* Investment Expenses reflected in this table generally represent direct costs associated with investing.
Certain expenses including carried interest and management fees related to private assets are not included

** Absolute Return includes the Currency Management Program (CMP) which calculates basis points using notional values instead of net asset values.

Table 8 Global Equity Broker Commissions July 1, 2014 Through June 30, 2015

Broker Name	Commission	Shares	Commission Per Share (Avg)
State Street Bank and Trust Company	$2,735,978	811,249,731	$0.003
Citigroup	2,096,457	391,536,342	0.005
Credit Suisse First Boston	1,736,776	314,165,195	0.006
Morgan Stanley	1,659,849	428,157,920	0.004
Instinet	1,543,482	206,996,536	0.007
UBS	1,515,597	252,574,857	0.006
Goldman Sachs	1,412,985	343,005,666	0.004
Merrill Lynch	1,294,133	215,883,812	0.006
JP MORGAN	1,263,769	171,374,778	0.007
Deutsche Bank	909,489	129,494,961	0.007
All Other Brokers	10,123,620	1,312,887,839	0.008
Total Commissions	**$26,292,135**	**4,577,327,637**	**$0.006**

2007
2008
2009
2010
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2014
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2017
2018
2019

CalSTRS administers retirement, disability and survivor **benefits for California's 895,956 public school educators** (from pre-kindergarten through community college) and their beneficiaries.

ACTUARIAL

Defined Benefit Program

Defined Benefit Supplement Program

ACTUARIAL (CONTINUED)

Cash Balance Benefit Program

Medicare Premium Payment Program

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November 25, 2015

Teachers' Retirement Board
California State Teachers' Retirement System

Re: Valuation of the Defined Benefit Program

Dear Members of the Board:

The basic financial goal of the Defined Benefit Program of the California State Teachers' Retirement System (CalSTRS) is to establish contributions which fully fund the obligations and which, as a percent of payroll, remain level for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

CalSTRS measures its funding status as the Funded Ratio of the actuarial value of valuation assets over the actuarial accrued liabilities. The funding status based on the past three actuarial valuations is shown below:

Valuation Date	Funded Ratio
June 30, 2012	67%
June 30, 2013	67%
June 30, 2014	69%

Based on the June 30, 2014 actuarial valuation, the scheduled income from member, employer, and State contributions is projected to finance the DB Program on an actuarially sound basis. CalSTRS is projected to reach a 100% Funded Ratio in 2046.

The June 30, 2014 valuation results are based on the membership data and the asset information provided by CalSTRS. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

Milliman did not prepare the summaries or schedules shown the Financial and Actuarial Sections. However, the actuarial information contained in Schedule I, II, III and V of the Financial Section and in this Actuarial Section was derived from our June 30, 2014 actuarial valuation report for funding and our August 28, 2015 letter which communicated the actuarial results for financial reporting for June 30, 2015.

The actuarial computations presented in the valuation report are for purposes of determining the recommended funding amounts for CalSTRS consistent with our understanding of their funding requirements and goals. The liabilities are determined by using the entry age normal funding method. The actuarial assets are determined by using a one-third smoothed recognition method of the difference between the actual market value to the expected actuarial value.

Milliman

Teachers' Retirement Board
November 25, 2015
Page 2

The valuation is based on our understanding of the current benefit provisions of the DB Program and the actuarial assumptions which were last reviewed and adopted by the Board in February of 2012. The assumptions will be reviewed in detail again in the fiscal year ending June 30, 2016. The assumptions used for financial reporting under GASB 67 are the same as the funding valuation assumptions with the following exceptions:

1. The discount rate of 7.60% is gross of administrative expenses; and
2. The market value of assets is used for the Fiduciary Net Position.

For financial reporting purposes, all programs within the State Teachers' Retirement Plan are reported in aggregate.

We believe the actuarial assumptions and methods are internally consistent, reasonable and meet the parameters of Governmental Accounting Standards Board Statement No. 67 for fulfilling financial reporting requirements and meet the parameters set forth in the relevant Actuarial Standards of Practice (ASOPs). Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions. Future actuarial measurements may differ significantly from the current measurements as presented in the valuation report due to many factors. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Our valuation report and this letter have been prepared exclusively for CalSTRS for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning CalSTRS operations, and uses CalSTRS data, which Milliman has not audited. No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on these assignments are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

We certify that the June 30, 2014 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Respectfully submitted,

Mark C Olleman

Mark C. Olleman, FSA, EA, MAAA
Principal and Consulting Actuary

Nick Collier

Nick J. Collier, ASA, EA, MAAA
Principal and Consulting Actuary

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Summary of Actuarial Assumptions and Methods

CalSTRS, through its consulting actuary, performs an experience study every four years to determine appropriate demographic and economic assumptions. These assumptions are then applied when the consulting actuary performs an actuarial valuation to monitor the funding status of the Defined Benefit Program.

The most recent experience study for 2006–2010 was completed as of June 30, 2010. The most recent actuarial valuation was completed as of June 30, 2014 and adopted by the Teachers' Retirement Board on April 2, 2015.

The following summary and tables were prepared by CalSTRS staff. All of the assumptions used in the actuarial valuation were adopted by the Teachers' Retirement Board when the experience study was adopted on February 2, 2012.

The following is a summary of the assumptions and methods adopted by the Teachers' Retirement Board for funding this program:

- Investment return rate and discount rate is 7.50 percent, net of investment and administrative expenses.
- Method used to value program assets for actuarial valuation purposes: expected actuarial value adjusted for one-third of the difference between actual market value and expected actuarial value.
- Assumption for general wage increase is 3.75 percent, of which 3.00 percent is due to inflation and 0.75 percent is due to expected gains in productivity.
- The actuarial cost method used by the program is the entry age normal actuarial cost method, with the actuarial gains/losses and the unfunded actuarial obligation amortized over a closed period ending June 30, 2046.
- The extent to which benefits are expected to increase as a result of cost-of-living type adjustments is an annual 2 percent increase to the initial benefit beginning on September 1 following the first anniversary of the effective date of the benefit. Since 1972, this increase is applied to all eligible continuing benefits.

Actuarial Cost Method

For funding purposes the entry age normal cost method was selected for the Defined Benefit Program since it is the most common cost method among public sector pension plans. The advantage to using this method is that the cost over time tends to remain fairly level as a percentage of overall payroll. This is well-suited to most public systems, which tend to contribute as a percentage of pay, and which benefit from a stable contribution rate for budgeting and planning purposes.

Financial Reporting

Under GASB 67, financial reporting for the State Teachers' Retirement Plan (STRP) includes the Defined Benefit, Defined Benefit Supplement, Cash Balance Benefit, Supplemental Benefit Maintenance Account and Teachers' Replacement Benefit programs.

Actuarial method and assumptions for GASB 67 financial reporting

- The discount rate is 7.60 percent, net of investment expenses but gross of administrative expenses.
- The actuarial cost method is the entry age normal cost method.
- General wage increase is 3.75 percent, of which 3.00 percent is due to inflation.
- Postretirement benefit increases of 2.00 percent simple for Defined Benefit Program and 85% purchasing power level for SBMA program. Not applicable for Cash Balance Benefit and Defined Benefit Supplement programs.

As required by GASB 67, the discount rate used for financial reporting of 7.60 percent is net of investment expenses but gross of administrative expenses. The 7.50 percent investment return rate used for funding and administrative purposes is net of investment and administrative expenses. The 2011 CalSTRS mortality tables were used in both financial funding and administrative calculations. Table 7 provides more details of the mortality assumptions. For the valuation used for funding and administrative, the DB Program actuarial value of assets ("smoothed value") is used in the determination of the Unfunded Actuarial Obligation. For financial reporting, the aggregate assets for all programs in the State Teachers' Retirement Plan on a market basis are used in the determination of the Net Pension Liability.

Discussion of recent changes:

The nature of the program—Since the last experience study as of June 30, 2010, program amendments have been made that have affected the June 30, 2014 actuarial valuation.

Changes to the plan: Effective January 1, 2013 Chapter 296, Statutes of 2012 (AB 340-Furutani), was enacted in 2012. The law reduces retirement benefits for educators who became members after 2012. Specifically, for new members some of the key provisions of the law are: 1) the benefit factors at all ages less than age 65 are reduced; 2) final compensation is based on a 36-month period; 3) the definition of creditable compensation is restricted; and, 4) compensation for benefit purposes is limited to no more than 120% of the Social Security taxable wage base. Additional changes that do not directly affect the calculated retirement benefits apply to all members.

Funding: The Teachers' Retirement Board had no authority to set contribution rates and had to rely upon remedy from the Legislature and the Governor, who enacted a responsible funding plan in 2014. Assembly Bill (AB) 1469 enacted in Chapter 47, Statutes of 2014 is projected to fully fund the CalSTRS Defined Benefit Program by June 30, 2046 through shared contribution increases among CalSTRS members, employers and State of California. Contribution increases will be phased in over several years with the first increases taking effect July 1, 2014. Member contribution will increase by an additional 2.25 percent of payroll for CalSTRS 2% at 60 members and an additional 1.205 percent for CalSTRS 2% at 62 members by fiscal year 2016-17. Employer contributions will increase to a total of 19.1 percent by fiscal year 2020–21. State contributions will increase to a total of 6.328 percent by fiscal year 2016-17. AB 1469 grants the Teachers' Retirement Board limited rate setting authority to adjust up or down state and employer contribution rates.

Actuarial Assumptions

The actuarial valuation utilizes various methods and two different types of assumptions: economic and demographic. Economic assumptions are related to the general economy and its impact on CalSTRS or to the operation of the membership. Demographic assumptions predict the future experience of the membership with respect to eligibility and benefits and are directly related to the specific experience of CalSTRS members.

Economic assumptions: The two major economic assumptions are investment return and wage growth and each is affected by the underlying assumed rate of inflation. Table 6 provides economic actuarial assumptions for this program as reflected in the most recent actuarial valuation as of June 30, 2014.

Demographic assumptions: Tables 1–5 and 7–9 provide demographic assumption information for this program as reflected in the most recent actuarial valuation as of June 30, 2014.

Actuarial Methods

The asset smoothing method projects an Expected Value of Assets using the assumed rate of investment return, then one-third of the difference between the Expected Value and the Market Value is recognized in the Actuarial Value of Assets. There were no revisions to either the Actuarial Cost Method or the Asset Valuation Method for this actuarial valuation.

Valuation Results

CalSTRS contracts for many actuarial services. The current contractor, Milliman, has been the program's actuary since January 15, 2000.

Tables 10–14 provide summaries of the valuation results. The data displayed in Table 10 is as of June 30 of the specified year. Other information, specifically annual payroll amounts, reported in the financial section of this report will generally not be consistent with this data. The reason for this is that the financial data reflects payroll for all individuals who were active during the year, while Table 10 only includes those individuals who are active as of June 30. It does not include those individuals who were active at some point during the year but not as of June 30.

Amounts provided in Table 11 represent the status of the population as of June 30 of the indicated year. The information provided in "The Removed from Rolls" and

"Rolls End of Year" columns include the application of the annual postretirement 2 percent not-compounded cost-of-living adjustment.

The data provided for each year end in Table 11 is a snapshot of the population taken following year-end closing for the indicated period. It is likely adjustments will be made subsequent to this closing. No attempt is made to update the data in Table 11 for these adjustments.

The following significant plan changes have taken place during the time depicted in Table 12. These program amendments include:

Effective January 1, 2005

- Recalculated benefits to part-time and adult education community college employees who were members prior to July 1, 1996.
- Allowed up to 0.2 of one year of unused sick leave service credit to count towards qualifying for one-year final compensation, longevity bonus and other benefit enhancements.

Effective January 1, 2008

Allowed members applying for disability benefits, who were eligible to retire for service, to submit a new Service Retirement Pending Disability Application and receive a service retirement allowance pending determination of their disability claim.

Effective September 30, 2008

Increased the SBMA purchasing power benefit from 80 percent to 85 percent of the benefit's original value, subject to regulations promulgated by the Teachers' Retirement Board.

Effective January 1, 2009

Funding

- Effective with fiscal year 2009–10 through fiscal year 2012–13, payment of previously withheld contributions and interest of $56,979,949, will be made each fiscal year to the SBMA program.

Effective July 1, 2010

Reduced members' retirement benefit by the amount earned in CalSTRS-covered employment for six calendar months immediately following their retirement effective date or until their 60th birthday, whichever is sooner.

Effective July 17, 2012

Changed the postretirement earnings limit to be one half of the median final compensation of all members who retired for service during the fiscal year ending in the previous calendar year.

Effective January 1, 2013

For CalSTRS members first hired on or after January 1, 2013

- Placed a cap equal to 120 percent of the 2013 Social Security wage base on compensation earnable and the cap is adjusted each fiscal year based on the changes in the Consumer Price Index for All Urban Consumers: U.S. City Average.
- Changed the normal retirement age from 60 to 62 with a two percent age factor.
- Changed the maximum age factor from 2.4 percent at age 63 to 2.4 percent at age 65.
- Changed the age factor for early retirement at age 55 from 1.4 percent to 1.16 percent.
- Eliminated the ability of new hired members to retire as early as age 50 with 30 years of service.
- Eliminated the career factor.
- Final compensation to be based on the highest three consecutive school years.

Effective July 1, 2014

Increased contribution rates for members, employers, and the state to fully fund the DB Program by June 30, 2046.

The most recent actuarial valuation of the system as of June 30, 2014, determined there is an unfunded actuarial obligation for this program. The prior actuarial valuation as of June 30, 2013, also indicated there was an unfunded actuarial obligation.

With one exception, actuarial valuations have been performed every year since June 30, 1997, to analyze the sufficiency of the statutory contributions to meet the current and future obligations of the program. By using the actuarial methods and assumptions adopted by the Teachers' Retirement Board, the actuarial valuation provides the best estimate of the program's long-term financing.

Comparing the unfunded actuarial obligation as of two valuation dates does not provide enough information to determine if there were actuarial gains or losses. The correct comparison is between the unfunded actuarial obligation on the valuation date and the expected unfunded actuarial obligation projected from the prior valuation date using the actuarial assumptions in effect for the period of comparison.

Actuarial gains reduce the unfunded actuarial obligation as of the valuation date, and actuarial losses increase the unfunded actuarial obligation. Most actuarial gains and losses are a result of short-term fluctuations in experience or changes in actuarial assumptions. Because of the long-term nature of actuarial assumptions, future patterns of emerging experience may offset these short-term fluctuations.

Independent Actuarial Review

Actuarial services for CalSTRS are provided under contract by a qualified independent actuarial firm, with additional review provided by the actuarial staff.

Through the competitive bid process, the work of a prior actuary will be verified in a subsequent actuarial valuation performed by a new contract actuary. Should the same actuarial firm continue for a period of 10 years, provision is made for an independent review of that firm's work through an actuarial audit completed by another firm. These audit services are acquired using the competitive bid process.

An audit of the 2007 Actuarial Experience Analysis of the Defined Benefit Program was performed by the firm, The Segal Company. The result of the audit was reported to the board on September 8, 2011.

An audit of the 2008 Actuarial Valuation of the CalSTRS Defined Benefit Program was performed by the firm Cheiron. The result of the audit was reported to the Teachers' Retirement Board on February 11, 2011.

The current actuarial consultant was retained on January 15, 2000 and in 2006 and 2012, as a result of the competitive bid process.

Summary of Defined Benefit Program Provisions

The following summary and tables were prepared by CalSTRS staff. All information is considered in the June 30, 2014 actuarial valuation.

Normal Retirement

Eligibility Requirement

CalSTRS 2% at 60 Members: Age 60 with five years of credited service.

CalSTRS 2% at 62 Members: Age 62 with five years of credited service.

Benefit

2 percent of final compensation for each year of credited service.

Benefit Factors

Credited Service—For each year of membership, credited service is granted based on the ratio of salary earned to full-time salary earnable for one position. No more than one full year of service credit is allowed during any school year; however, the contributions for any service in excess of one year are deposited to the member and employer contribution accounts within the Defined Benefit Supplement Program.

Contributions received for Defined Benefit Supplement compensation that are attributable to increases under AB 1469 will be returned to school district employers. School district employers should return excess member contributions to their employees and the returned pre-tax contributions will be considered taxable income in the year they are received by the employee.

Final Compensation—CalSTRS 2% at 60 Members: Average salary earnable for the highest three consecutive years of credited service for one position. For members with 25 years of service, the calculation is based on the highest average compensation earnable in a consecutive 12-month period.

CalSTRS 2% at 62 Members: Final compensation is based on the highest three consecutive years of salary earnable. Compensation is limited to 120 percent of the

Social Security wage base in effect January 1, 2013 and is adjusted each fiscal year based on the changes in the Consumer Price Index for All Urban Consumers: U.S. City Average.

Sick Leave Service Credit—Credited Service is granted for unused sick leave at the time of retirement. Sick leave service credit of up to 0.2 years of credited service may be used for eligibility for one-year final compensation or to attain the career factor or the longevity bonus for eligible members.

Career Factor—If a CalSTRS 2% at 60 member has 30 years of credited service, the age factor is increased by 0.2 percent. However, the maximum age factor is 2.4 percent. The career factor does not apply to CalSTRS 2% at 62 members.

Longevity Bonus—For CalSTRS 2% at 60 members attaining 30 years of service by January 1, 2011, a longevity bonus of $200 per month is added to the Member-Only Benefit. The bonus is increased to $300 per month with 31 years of service and $400 per month with 32 or more years of service. The longevity bonus does not apply to CalSTRS 2% at 62 members.

Postretirement Benefit Adjustment

Benefit Improvement Factor—Two percent simple increase on September 1 following the first anniversary of the effective date of the benefit, applied to all continuing benefits.

IRC Section 401(a)(17)

Compensation is limited under Internal Revenue Code section 401(a)(17) and assumed to increase at the rate of inflation.

IRC Section 415(b)

For CalSTRS 2% at 60 members benefits are subject to limits imposed under Internal Revenue Code Section 415(b). However, no limits are imposed in the valuation of Defined Benefit Program in order to address the potential pay-as-you-go funding needs of the Teachers' Replacement Benefits Program Fund. CalSTRS 2% at 62 members will not receive any benefits in excess of the federal limit.

Early Retirement

Eligibility Requirement—CalSTRS 2% at 60 Members: Age 55 with five years of credited service, or age 50 with 30 years of credited service.

CalSTRS 2% at 62 Members: Age 55 with five years of credited service.

Benefit Reduction—CalSTRS 2% at 60 Members: A .50 percent reduction in the normal retirement allowance for each full month or partial month the member is younger than age 60, plus a reduction of .25 percent for each full month or partial month the member is younger than age 55.

CalSTRS 2% at 62 Members: A .50 percent reduction in the normal retirement allowance for each full month or partial month the member is younger than age 62.

Late Retirement

Benefit—CalSTRS 2% at 60 Members: Members continue to earn additional service credit after age 60. The 2 percent age factor increases by 0.033 percent for each quarter year of age that the member is over age 60, up to a maximum of 2.4 percent.

CalSTRS 2% at 62 Members: Members continue to earn additional service credit after age 62. The 2 percent age factor increases by 0.033 percent for each quarter year of age that the member is over age 62, up to a maximum of 2.4 percent.

Deferred Retirement

Benefit—Any time after satisfying the minimum service requirement, a member may cease active service, leave the accumulated contributions on deposit, and later retire upon attaining the minimum age requirement.

Disability Allowance—Coverage A

Eligibility Requirement—Member has five years of credited California service and has not attained age 60, or if a member has earned one year of creditable service and is disabled due to an unlawful act of bodily harm committed by another person while performing creditable service.

Benefit—Fifty percent of final compensation.

- or -

Five percent of final compensation for each year of service credit if over age 45 with fewer than 10 years of service credit.

Children's Benefit—Ten percent for each eligible dependent child, up to a maximum of 40 percent of final compensation. The increment for each eligible child continues until the child marries or attains age 22.

Offsets—Benefit, including children's increment, is reduced by disability benefits payable under Social Security, workers' compensation and employer-paid income protection plan.

Disability Allowance—Coverage B

Eligibility Requirement—Member has five years of credited California service, or if a member has earned one year of creditable service and is disabled due to an unlawful act of bodily harm committed by another person while performing creditable service.

Benefit—Fifty percent of final compensation, regardless of age and service credit.

Children's Benefit—Ten percent for each eligible child up to four children, for a maximum of 40 percent of final compensation. The increment for each child continues until the child attains age 21, regardless of student, marital or employment status.

Offsets—The member's benefit is reduced by disability benefits payable under workers' compensation.

Death Before Retirement—Coverage A

Eligibility Requirement—One or more years of service credit for active members or members receiving a disability benefit.

Lump-Sum Payment—The one-time death benefit recipient receives a $6,163 lump-sum payment.

Benefit—The surviving spouse or registered domestic partner with eligible children will receive a family benefit of 40 percent of final compensation for as long as there is at least one eligible child. An additional 10 percent of final compensation is payable for each eligible child up to a maximum benefit of 90 percent.

If there is no surviving spouse or registered domestic partner, a benefit of 10 percent of final compensation is payable to eligible children up to a maximum benefit of 50 percent.

When there are no eligible children, the spouse or registered domestic partner may elect to receive one-half of a 50 percent joint and survivor benefit projected to age 60 or take a lump-sum payment of the remaining contributions and interest.

Death Before Retirement—Coverage B

Eligibility—One or more years of service credit for active members.

Lump-Sum Payment—The one-time death benefit recipient receives a $24,652 lump-sum payment.

Benefit—A lump-sum payment of the contributions and interest.

- or -

One-half of a 50 percent joint and survivor benefit, beginning on the member's 60th birthday or immediately with a reduction based on the member's age and that of the spouse or registered domestic partner at the time the benefit begins.

If the surviving spouse or registered domestic partner elects a monthly benefit, or there is no surviving spouse, each eligible child would receive 10 percent of the member's final compensation, with a maximum benefit of 50 percent.

Death After Retirement

Lump-Sum Payment—The one-time death benefit recipient receives a $6,163 lump-sum payment.

Members of retirement age may make a pre-retirement election of an option to designate a beneficiary.

Annuity Form—If the retired member had elected one of the joint and survivor options, the retirement benefit would be reduced in accordance with the option elected.

If no option had been elected, payment of the unpaid contributions and interest, if any, remaining in the member's account will be made to the beneficiary, if one is named, or to the deceased member's estate.

Termination from CalSTRS

Refund—Refund of the member's contributions with interest as credited to the member's account to date of withdrawal. A refund terminates membership and all rights to future benefits from the program.

Re-entry After Refund—Former members who re-enter the program may redeposit all amounts previously refunded plus regular interest. The member must earn one year of credited service after re-entry before becoming eligible for program benefits.

Funding

Member Contribution—CalSTRS 2% at 60 Members: For fiscal year ended June 30, 2015, 8.15 percent of creditable compensation.

CalSTRS 2% at 62 Members: Equal to one-half of the Normal Cost rate determined in the valuation rounded to the nearest quarter percent. Member rates only change when the Normal Cost rate changes by one percent of pay as compared to the initial Normal Cost rate (or at the time of the last adjustment). For fiscal year ended June 30, 2015, the member contribution rate is equal to 8.15 percent of creditable compensation.

Employer Contribution—For fiscal year ended June 30, 2015, 8.63 percent of the total creditable compensation on which member contributions are based. In addition, funding for the Teachers' Health Benefits Fund and Teachers' Replacement Benefit Fund is directed as needed from the employer contributions on a pay-as-you-go basis.

- plus -

0.25 percent of the total creditable compensation on which members' contributions are based to pay costs for unused sick leave service credit.

State Contribution—For fiscal year ended June 30, 2015, the state pays 3.454 percent of the total creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based, calculated annually on October 1 and updated on or before the subsequent April 15 and paid in four equal quarterly payments.

Changes in Defined Benefit Program Provisions

See Discussion of recent changes section on page 108.

Table 1 Post-Retirement Mortality Table for Sample Ages

	Male	Female
Age	2011	2011
50	0.114%	0.073%
55	0.164	0.118
60	0.300	0.254
65	0.596	0.468
70	1.095	0.864
75	1.886	1.451
80	3.772	2.759
85	7.619	5.596
90	14.212	11.702
95	22.860	17.780

All demographic assumptions used in the actuarial valuation were adopted by the Teachers' Retirement Board when the experience study was adopted on February 2, 2012.

Table 2 Service Retirement (sample ages)[1]

		DB Program Benefits		
	Age	1990 Benefits	Under 30 years	30 or More Years
Male	55	5.8%	2.7%	8.0%
	60	25.0	6.3	27.0
	65	20.0	13.5	32.5
	70	100.0	10.8	30.0
	75	100.0	100.0	100.0
Female	55	7.0%	4.5%	9.0%
	60	22.0	9.0	31.0
	65	18.0	14.4	37.5
	70	100.0	13.5	35.0
	75	100.0	100.0	100.0

[1]Probabilities of retirement are adjusted for members with service between 25 and 30 years.

Table 3 Probabilities of Withdrawal from Active Service Before Age and Service Retirement for Sample Duration

Duration	
Male	
1	13.0%
2	9.0
3	6.4
4	4.6
5	3.9
10	1.8
15	0.9
20	0.5
25	0.3
Female	
1	12.0%
2	8.5
3	6.4
4	4.6
5	3.9
10	1.8
15	0.9
20	0.5
25	0.3

Table 4 Probabilities of Refund by Sample Duration of Members and Sample Entry Ages

	Entry Ages				
Duration	Under 25	25–29	30–34	35–39	40+
Male					
Under 5	100%	100%	100%	100%	100%
10	46	46	38	36	36
15	38	38	31	21	—
20	28	31	15	—	—
25	15	15	—	—	—
Female					
Under 5	100%	100%	100%	100%	100%
10	34	32	32	29	29
15	27	24	24	24	—
20	19	14	14	—	—
25	10	10	—	—	—

Table 5 Assumption for Pay Increases Due to Promotions and Longevity for Sample Ages

(exclusive of the assumed general wage increase, which includes inflation)

	Entry Ages					
Duration	Under 25	25–29	30–34	35–39	40–44	45+
1	5.6%	5.3%	5.1%	4.8%	4.8%	3.5%
5	5.5	4.8	4.5	3.8	3.8	2.6
10	3.2	3.0	2.7	2.3	2.2	1.6
20	1.3	1.1	1.1	0.8	0.8	0.6
30	0.9	0.7	0.6	0.5	—	—
40	0.8	0.6	—	—	—	—

Table 6 Economic Assumptions

Consumer Price Inflation	3.00%
Investment Yield (Net of Expenses)	7.50
Wage Inflation	3.75
Interest on Member Accounts	4.50

Table 7 Mortality Assumptions

	Retired Members[1]
Male	2011 CalSTRS Retired-M
Female	2011 CalSTRS Retired-F
	Active Members
Male	2011 CalSTRS Retired-M (-2 years)
Female	2011 CalSTRS Retired-F (-2 years)
	Beneficiaries[1]
Male	2011 CalSTRS Beneficiary-M
Female	2011 CalSTRS Beneficiary-F

[1]Future retirees and beneficiaries are valued with a two-year age setback.

Table 8 Termination from Disability Due to Death[1]

Male	
Age	
<70	2% at age 40 and under, graded to 3.2% at age 70
≥70	RP 2000 male white collar +7 projected to 2025 at age 70 smoothed to +1 age 85 (select rates in first three years, regardless of age)
Female	
Age	
<70	1.5% at age 40 and less graded to 2.25% at age 70
≥70	RP 2000 female white collar +6 projected to 2025 at age 70 smoothed to +2 at age 80 (select rates in first three years, regardless of age)

[1]Future disabled members are valued with a two-year age setback.

Table 9 Disability Rates
(sample ages)

Coverage A		
Male	25	0.018%
	30	0.027
	40	0.072
	50	0.144
	55	0.189
Female	25	0.018%
	30	0.027
	40	0.081
	50	0.198
	55	0.252

Coverage B		
Male	25	0.010%
	30	0.020
	35	0.030
	40	0.060
	45	0.100
	50	0.140
	55	0.245
Female	25	0.020%
	30	0.020
	35	0.040
	40	0.070
	45	0.110
	50	0.185
	55	0.300

Table 10 Schedule of Active Member Valuation Data

		Active Members			
Date (as of June 30)	Number of Participating Employers*	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
2005	1,285	450,282	$23,256,622,046	$51,649	1.7%
2006	1,322	453,365	24,239,606,097	53,466	3.5
2007	1,356	455,693	25,905,691,360	56,849	6.3
2008	1,428	461,378	27,118,230,762	58,777	3.4
2009	1,472	459,009	27,327,386,616	59,536	1.3
2010	1,514	441,544	26,274,889,981	59,507	—
2011	1,587	429,600	25,576,008,636	59,534	—
2012	1,660	421,499	25,388,209,920	60,233	1.2
2013	1,670	416,643	25,479,056,693	61,153	1.5
2014	1,690	420,887	26,469,883,008	62,891	2.8

* Account employers who submit the last contribution line for the active member in the target fiscal year.

Table 11 Schedule of Retired Members and Beneficiaries Added to and Removed from Rolls

	Added to Rolls		Removed from Rolls		Rolls – End of Year			
Date (as of June 30)	Number	Annual Allowances[1]	Number	Annual Allowances[1]	Number	Annual Allowances[1]	% Increase in Annual Allowances	Average Annual Allowances
2006	11,517	$489,261	6,252	$132,275	207,846	$6,505,067	8.1%	$31,298
2007	12,457	562,542	6,162	137,474	215,641	7,078,199	8.8%	32,824
2008	13,246	626,567	6,419	147,966	223,968	7,711,132	8.9%	34,430
2009	13,420	657,984	6,163	149,998	228,969	8,340,671	8.2%	36,427
2010	16,201	777,293	6,499	165,404	243,796	9,171,309	10.0%	37,619
2011	14,559	671,868	6,938	181,927	253,041	9,802,995	6.9%	38,741
2012	14,316	635,935	6,860	187,271	262,039	10,458,555	6.7%	39,912
2013	12,377	555,751	7,119	205,779	269,429	11,091,944	6.1%	41,168
2014	11,383	507,801	7,299	221,733	275,627	11,624,220	4.8%	42,173
2015	11,952	558,655	7,759	247,766	282,100	12,197,828	4.9%	43,239

[1]Dollars in thousands.

Table 12 Solvency Test

	Aggregate Accrued Liabilities For (in millions)				Funding of Liabilities		
Valuation Date (as of June 30)	(1) Active Member Contributions on Deposit	(2) Future Benefits to Benefit Recipients	(3) Service Already Rendered by Active Members (Financed by Employer)	Actuarial Value of Assets	(1)	(2)	(3)
2005	$24,619	$63,762	$53,812	$121,882	100.0%	100.0%	62.3%
2006	25,124	68,774	56,974	131,237	100.0	100.0	65.5
2007	25,895	75,612	65,622	148,427	100.0	100.0	71.5
2008	26,881	81,984	68,869	155,215	100.0	100.0	67.3
2009	27,477	88,927	69,279	145,142	100.0	100.0	41.5
2010	27,105	99,135	70,075	140,291	100.0	100.0	20.1
2011	27,038	109,984	71,383	143,930	100.0	100.0	9.7
2012	27,245	116,475	71,469	144,232	100.0	100.0	0.7
2013	27,683	121,714	72,884	148,614	100.0	99.4	—
2014	28,290	126,235	76,688	158,495	100.0	100.0	5.2

Table 13 Analysis of Financial Experience

(gains and losses in unfunded actuarial obligation resulting from differences between assumed and actual experience) (dollars in millions)

	Actuarial Valuation as of June 30	
	2014	2013
Actuarial Obligation at June 30:	$222,281	$215,189
Normal Cost	4,897	4,714
Benefit Payments	(11,496)	(10,922)
Expected Interest	16,428	15,910
Expected Actuarial Obligation at June 30:	232,110	224,891
Expected Actuarial Value of Assets at June 30:	153,183	149,003
Expected UAO at June 30	78,927	75,888
Actuarial (Gains) or Losses		
Change in Assumptions	—	—
Investment Return Assumptions	(5,320)	(517)
Demographic Assumptions	(897)	(2,610)
Net Change Other Sources	8	906
Total Actuarial (Gains) & Losses	(6,209)	(2,221)
Unfunded Actuarial Obligation at June 30	72,718	73,667
Funded Ratio	69%	67%

Table 14 Schedule of Funding Progress

(Dollars in Millions)

Actuarial Valuation Date as of June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2006	$131,237	$150,872	$19,635	87%	$24,240	81%
2007	146,419	167,129	20,710	88%	25,906	72%
2008	155,215	177,734	22,519	87%	27,118	83%
2009	145,142	185,683	40,541	78%	27,327	148%
2010	140,291	196,315	56,024	71%	26,275	213%
2011	143,930	208,405	64,475	69%	26,592	242%
2012	144,232	215,189	70,957	67%	26,404	269%
2013	148,614	222,281	73,667	67%	26,483	278%
2014	158,495	231,213	72,718	69%	26,398	275%
2015	(1)	(1)	(1)	(1)	(1)	(1)

[1]Actuarial Valuation as of June 30, 2015 are expected to be available by April 2016.

Note: Information of actuarially determined and actual contributions for the State Teachers' Retirement Plan is provided in the Financial section, Schedule III, Contributions of Employer and Nonemployer Contributing Entity table.

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November 25, 2015

Teachers' Retirement Board
California State Teachers' Retirement System

Re: Valuation of the Defined Benefit Supplement Program

Dear Members of the Board:

The basic financial goal of the Defined Benefit Supplement (DBS) Program of the California State Teachers' Retirement System (CalSTRS) is to maintain sufficient resources to fully fund the obligations. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

CalSTRS measures its funding status as the Funded Ratio of the actuarial value of valuation assets over the actuarial accrued liabilities. The funding status based on the past three actuarial valuations is shown below:

Valuation Date	Funded Ratio
June 30, 2012	101%
June 30, 2013	106%
June 30, 2014	116%

The market gain for the fiscal year ended in 2014 caused an increase in the Funded Ratio. As of June 30, 2014, the Market Value of Assets for the DBS Program exceeds the Actuarial Obligation. Additional interest credits were granted based on the Program's funded level and are reflected in the Funded Ratio shown above. Prior to the additional credits, the Funded Ratio was 121%.

The June 30, 2014 valuation results are based on the membership data and the asset information provided by CalSTRS. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

Milliman did not prepare the summaries or schedules shown the Financial and Actuarial Sections. However, the actuarial information contained in Schedule I, II, III and V of the Financial Section and in this Actuarial Section was derived from our June 30, 2014 actuarial valuation report for funding and our August 28, 2015 letter which communicated the actuarial results for financial reporting for June 30, 2015.

The actuarial computations presented in the valuation report are for purposes of determining the recommended funding amounts for CalSTRS consistent with our understanding of their funding requirements and goals. The liabilities are determined by using the traditional unit credit funding method. The actuarial assets are equal to fair market value.

Milliman

The funding valuation is based on our understanding of the current benefit provisions of the DBS Program and the actuarial assumptions which were last reviewed and adopted by the Board in February of 2012. The assumptions will be reviewed in detail again in 2015. The assumptions used for financial reporting under GASB 67 are the same as the funding valuation assumptions with the following exceptions:

1. The discount rate of 7.60% is gross of administrative expenses; and
2. The individual entry age normal cost method is used.

For financial reporting purposes, all programs within the State Teachers' Retirement Plan are reported in aggregate.

We believe the actuarial assumptions and methods are internally consistent, reasonable and meet the parameters of Governmental Accounting Standards Board Statement No. 67 for fulfilling financial accounting requirements and meet the parameters set forth in the relevant Actuarial Standards of Practice (ASOPs). Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions. Future actuarial measurements may differ significantly from the current measurements as presented in the valuation report due to many factors. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Our valuation report and this letter have been prepared exclusively for CalSTRS for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning CalSTRS operations, and uses CalSTRS data, which Milliman has not audited. No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on these assignments are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

We certify that the June 30, 2014 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Respectfully submitted,

Mark C. Olleman, FSA, EA, MAAA
Principal and Consulting Actuary

Nick J. Collier, ASA, EA, MAAA
Principal and Consulting Actuary

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Summary of Actuarial Assumptions and Methods

CalSTRS, through its consulting actuary, performs an experience study at least every four years to determine appropriate demographic and economic assumptions. These assumptions are then applied every year when the consulting actuary performs an actuarial valuation to monitor the funding status of the Defined Benefit Supplement Program. The most recent actuarial valuation was completed as of June 30, 2014, and adopted by the Teachers' Retirement Board June 11, 2015. The following summary and tables were prepared by CalSTRS staff. All information is considered in the June 30, 2014 actuarial valuation.

The Defined Benefit Supplement Program was established January 1, 2001. The demographic assumptions were based on those adopted for the Defined Benefit Program by the Board on February 2, 2012, and were used to complete the latest actuarial valuation. The Defined Benefit Program and Defined Benefit Supplement Program share the same population, so it is reasonable to use most of the same assumptions for both programs. All of the assumptions used in the actuarial valuation were adopted by the Teachers' Retirement Board when the experience study was adopted on February 2, 2012. Following are the assumptions adopted by the Teachers' Retirement Board for this program.

- Investment return rate and discount rate is 7.50 percent, net of investment and administrative expenses.
- Method used to value plan assets for actuarial valuation purposes: Fair market value.
- Assumption for general wage increase is 3.75 percent, of which 3.00 percent is due to inflation and 0.75 percent is due to expected gains in productivity.
- The actuarial cost method used by the program is the traditional unit credit cost method.
- The Defined Benefit Supplement Program does not provide cost-of-living adjustments for benefit recipients.

Actuarial Cost Method

For funding purposes, the Traditional Unit Credit Cost Method was selected for the Defined Benefit Supplement Program since the projected benefits of each individual member are allocated by a consistent formula to valuation years. As a result, the actuarial obligation is equal to the accumulated account balances, and the normal cost is equal to the total annual contribution.

Financial Reporting

Under GASB 67 financial reporting the State Teachers' Retirement Plan (STRP) includes the Defined Benefit, Defined Benefit Supplement, Cash Balance Benefit, Supplemental Benefit Maintenance Account and Teachers' Replacement Benefit Programs.

Actuarial method and assumptions for GASB 67 financial reporting

- The discount rate is 7.60 percent, net of investment expenses but gross of administrative expenses.
- The actuarial cost method is the entry age normal cost method.
- General wage increase is 3.75 percent, of which 3.00 percent is due to inflation.
- Postretirement benefit increases of 2.00 percent simple for Defined Benefit Program and 85 percent purchasing power level for SBMA program. Not applicable for Cash Balance Benefit and Defined Benefit Supplement programs.

As required by GASB 67, the discount rate used for financial reporting of 7.60 percent is net of investment expenses but gross of administrative expenses. The 7.50 percent investment return rate used for funding and administrative purposes is net of investment and administrative expenses. GASB 67 also specifies using the entry age normal cost method to calculate pension liability for financial reporting. The traditional unit credit method is used for funding. In addition, the 2011 CalSTRS mortality tables were used in both financial reporting and funding calculations. Table 6 provides more details of the mortality assumptions.

Discussion of recent changes in:

The nature of the program—The Defined Benefit Supplement Program was established January 1, 2001. All provisions of the program were considered when completing the most recent actuarial valuation.

Actuarial Assumptions

The following assumptions were used to complete the valuation for this program.

Under the traditional unit credit actuarial cost method, neither the economic nor the demographic assumptions affect the actuarial obligation for the Defined Benefit Supplement Program. Those assumptions for this program will have minimal impact under the traditional unit credit cost method or only have significance when participants elect to annuitize the account balance. Under the program, a member must have at least $3,500 in his or her account to elect to annuitize the account balance.

The actuarial methods used for the program's actuarial valuation as of June 30, 2014, result in an actuarial surplus of $1,472,355,000 after additional credits.

CalSTRS contracts for many actuarial services. The current contractor, Milliman, has been CalSTRS actuary from the program's inception.

Independent Actuarial Review

Actuarial services for CalSTRS are provided under contract by a qualified independent actuarial firm, with additional review provided by the actuarial staff.

Through the competitive bid process, the work of a prior actuary will be verified in a subsequent actuarial valuation performed by a new contract actuary. Should the same actuarial firm continue for a period of 10 years, provision is made for an independent review of that firm's work through an actuarial audit completed by another firm. These audit services are acquired using the competitive bid process.

An audit of the 2007 Actuarial Experience Analysis of the Defined Benefit Supplement Program was performed by the firm, The Segal Company. The result of the audit was reported to the Teachers' Retirement Board on September 8, 2011.

The current actuarial consultant was retained on January 15, 2000 and in 2006 and 2012, as a result of the competitive bid process.

Summary of Defined Benefit Supplement Program Provisions

The following tables and summary were prepared by CalSTRS staff. All information is considered in the June 30, 2014 actuarial valuation.

Membership

Eligibility Requirement—All members of the Defined Benefit Program who perform creditable service and earn creditable compensation after December 31, 2000, have a Defined Benefit Supplement account.

Member—An eligible employee with creditable service subject to coverage, who has contributions credited in the program or is receiving an annuity from the program.

Account Balance

Account Balance—Nominal accounts are established for the purpose of determining Defined Benefit Supplement benefits payable to the member. Accounts are credited with contributions, interest at the minimum interest rate, and, if applicable, additional earnings credits.

Contributions—Member and employer contributions are credited to the member's Defined Benefit Supplement account for service greater than one year during a single school year and for CalSTRS 2% at 60 members compensation for limited-term enhancements and retirement incentives.

Minimum Interest Rate—Annual rate determined for the plan year by the Teachers' Retirement Board in accordance with federal laws and regulations. The minimum interest rate is equal to the average of the yields on 30-year Treasury Notes for the twelve months ending in February preceding the beginning of the plan year, rounded to the next highest basis point. The minimum interest rate is not less than the rate at which interest is credited under the Defined Benefit Program.

Additional Earnings Credit—Annual rate determined for the plan year by the Teachers' Retirement Board based on the actual earnings during the plan year but only to the extent the earnings are sufficient to credit the minimum interest rate and provide any additions to the gain and loss reserve deemed warranted by the board. The board adopted an additional earnings credit of 4.50 percent for the fiscal year ending June 30, 2014.

Additional Annuity Credit—No longer applies, per board additional credit policy adopted on April 2015 meeting.

Normal Retirement

Eligibility Requirement—Receipt of a corresponding benefit under the Defined Benefit Program.

Benefit—The account balance at the benefit effective date subject to limits imposed under Internal Revenue Code section 415.

Form of Payment—The normal form of payment is a lump-sum distribution. Annuity options are available if the account balance is at least $3,500.

Early Retirement

Eligibility Requirement—Same as Normal Retirement.

Benefit and Form of Payment—Same as Normal Retirement.

Late Retirement

Benefit and Form of Payment—Same as Normal Retirement.

Contributions and earnings may continue to be credited to the account balance.

Deferred Retirement

Benefit—A member must receive a Defined Benefit Supplement Program benefit when the corresponding benefit is received under the Defined Benefit Program.

Disability Benefit

Eligibility Requirement—Receipt of a corresponding benefit under the Defined Benefit Program.

Benefit—The account balance at the date the disability benefit becomes payable.

Form of Payment—Same as Normal Retirement. An annuity benefit is discontinued upon termination of the corresponding Defined Benefit Program benefit.

Death Before Retirement

Eligibility Requirement—Deceased member has an account balance.

Benefit—The account balance at the date of death payable to the designated beneficiary.

Form of Payment—Similar to Normal Retirement.

Death After Retirement

Eligibility Requirement—The deceased member was receiving an annuity.

Benefit—According to the terms of the annuity elected by the member.

Termination from the Program

Eligibility Requirement—Termination of all CalSTRS-covered employment.

More than five years has elapsed since the most recent termination benefit, if any, has been paid.

Benefit and Form of Payment—Lump-sum distribution of the account balance as of the date of distribution.

Changes in Defined Benefit Supplement Program Provisions

There have been no program amendments that would affect an actuarial valuation of the Defined Benefit Supplement Program since the last CalSTRS annual financial report was issued. All program provisions were considered in the completion of the June 30, 2014 actuarial valuation.

All of the assumptions used in the actuarial valuation were adopted by the Teachers' Retirement Board when the experience study was adopted on February 2, 2012. Following are the assumptions adopted by the Teachers' Retirement Board for this program.

Table 1 Post-Retirement Mortality Table for Sample Ages

	Male	Female
Age	2011 CalSTRS Retired–M	2011 CalSTRS Retired–F
50	0.114%	0.073%
55	0.164	0.118
60	0.300	0.254
65	0.596	0.468
70	1.095	0.864
75	1.886	1.451
80	3.772	2.759
85	7.619	5.596
90	14.212	11.702
95	22.860	17.780

Table 2 Probabilities of Retirement for Sample Ages[1]

	Under 30 years		30 or more years	
Age	Male	Female	Male	Female
55	2.7%	4.5%	8.0%	9.0%
60	6.3	9.0	27.0	31.0
65	13.5	14.4	32.5	37.5
70	10.8	13.5	30.0	35.0
75	100.0	100.0	100.0	100.0

[1]Probabilities of retirement are adjusted for members with service between 25 and 30 years.

Table 3 Probabilities of Withdrawal from Active Service Before Age and Service Retirement for Sample Ages

Duration			
Male		Female	
1	13.0%	1	12.0%
2	9.0	2	8.5
3	6.4	3	6.4
4	4.6	4	4.6
5	3.9	5	3.9
10	1.8	10	1.8
15	0.9	15	0.9
20	0.5	20	0.5
25	0.3	25	0.3
30	0.2	30	0.2

Table 4 Assumption for Pay Increases Due to Promotions and Longevity for Sample Ages

(exclusive of the assumed general wage increase, which includes inflation)

	Entry Ages					
Duration	Under 25	25–29	30–34	35–39	40–44	45+
1	5.6%	5.3%	5.1%	4.8%	4.8%	3.5%
5	5.5	4.8	4.5	3.8	3.8	2.6
10	3.2	3.0	2.7	2.3	2.2	1.6
20	1.3	1.1	1.1	0.8	0.8	0.6
30	0.9	0.7	0.6	0.5	—	—
40	0.8	0.6	—	—	—	—

Table 5 Economic Assumptions

Consumer Price Inflation	3.00%
Investment Yield	7.50
Wage Inflation	3.75
Interest on Member Accounts	7.50

Table 6 Mortality Assumptions

	Retired Members[1]
Male	2011 CalSTRS Retired-M
Female	2011 CalSTRS Retired-F
	Active Members
Male	2011 CalSTRS Retired-M (-2 years)
Female	2011 CalSTRS Retired-F (-2 years)
	Beneficiaries[1]
Male	2011 CalSTRS Beneficiary-M
Female	2011 CalSTRS Beneficiary-F

[1]Future retirees and beneficiaries are valued with a 2-year age setback.

Table 7 Termination from Disability Due to Death[1]

Male	
Age	
<70	2% at age 40 and under, graded to 3.2% at age 70
≥70	RP 2000 male white collar +7 projected to 2025 at age 70 smoothed to +1 age 85 (select rates in first three years, regardless of age)
Female	
Age	
<70	1.5% at age 40 and less graded to 2.25% at age 70
≥70	RP 2000 female white collar +6 projected to 2025 at age 70 smoothed to +2 at age 80 (select rates in first three years, regardless of age)

[1]Future disabled members are valued with a two-year age setback.

Table 8 Disability Rates—Coverage B
(sample ages)

Coverage A		
Male	25	0.018%
	30	0.027
	40	0.072
	50	0.144
	55	0.189
Female	25	0.018%
	30	0.027
	40	0.081
	50	0.198
	55	0.252

Coverage B		
Male	25	0.010%
	30	0.020
	35	0.030
	40	0.060
	45	0.100
	50	0.140
	55	0.245
Female	25	0.020%
	30	0.020
	35	0.040
	40	0.070
	45	0.110
	50	0.185
	55	0.300

Table 9 Schedule of Active Member Valuation Data

		Active Members			
Date (as of June 30)	Number of Participating Employers*	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
2005	1,285	449,773	$24,481,444,000	$54,431	1.768%
2006	1,322	453,131	25,524,878,188	56,330	3.489
2007	1,356	455,453	27,076,457,044	59,450	5.539
2008	1,428	460,961	28,574,701,507	61,989	4.270
2009	1,472	458,736	28,763,266,744	62,701	1.148
2010	1,514	441,326	27,340,840,174	61,952	(1.195)
2011	1,587	423,366	26,758,301,370	63,204	2.021
2012	1,660	403,117	26,556,820,635	65,879	4.232
2013	1,670	390,465	26,444,290,250	67,725	2.802
2014	1,690	386,766	27,582,572,209	71,316	5.302

* Account employers who submit the last contribution line for the active member in the target fiscal year.

Table 10 Schedule of Retired Members and Beneficiaries Added to and Removed from Annuity Rolls

	Added to Rolls*		Removed from Rolls		Rolls - End of Year			
Date (as of June 30)	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
2006	4,067[1]	$7,984,912[1]	363[1]	$588,458[1]	9,302	$15,183,661	99.1%	$1,632
2007	4,841	11,483,366	651	1,405,165	13,561	25,387,837	67.2%	1,872
2008	5,404	14,810,571	1,113	3,006,699	17,900	37,308,946	47.0%	2,084
2009	6,668	22,090,439	1,582	4,948,230	23,010	55,237,098	48.1%	2,401
2010	8,796	31,707,577	1,816	6,612,662	30,048	80,571,112	45.9%	2,681
2011	8,811	31,693,536	343	1,329,718	36,110	103,087,388	27.9%	2,855
2012	8,257	32,650,936	2,386	11,666,909	42,055	124,148,784	20.4%	2,952
2013	7,425	30,392,875	2,657	13,354,982	47,014	141,044,393	13.6%	3,000
2014	6,753	27,678,797	3,115	16,285,428	50,963	153,375,082	8.7%	3,010
2015	7,097	31,304,181	3,423	18,040,255	54,901	167,972,370	9.5%	3,060

*The Defined Benefit Supplement Program was established January 1, 2001. As of June 30, 2003, all members who had retired or became disabled had elected a lump-sum distribution.
[1]Revised in 2007.

Table 11 Solvency Test

Aggregate Accrued Liabilities for					Funding of Liabilities		
Valuation Date (as of June 30)	(1) Active Member Contributions on Deposit	(2) Future Benefits to Benefit Recipients	(3) Service Already Rendered by Active Members (Financed by Employer)	Actuarial Value of Assets	(1)	(2)	(3)
2005	$2,722,432,000	$33,767,000	0	$3,023,177,000	100.0%	100.0%	—
2006	3,546,575,000	69,684,000	0	3,951,327,000	100.0	100.0	—
2007	4,498,170,000	123,876,000	0	5,381,585,000	100.0	100.0	—
2008	5,434,171,000	193,173,000	0	5,636,113,000	100.0	100.0	—
2009	6,316,154,000	283,161,000	0	5,145,981,000	81.5	—	—
2010	7,012,291,000	444,151,000	0	6,412,180,000	91.4	—	—
2011	7,196,652,000	577,115,000	0	8,054,962,000	100.0	100.0	—
2012	7,280,977,000	710,586,000	0	8,042,090,000	100.0	100.0	—
2013	7,641,488,000	850,275,000	0	8,983,919,000	100.0	100.0	—
2014	8,077,762,000	942,945,000	0	10,493,062,000	100.0	100.0	—

Table 12 Analysis of Financial Experience

(gains and losses in unfunded actuarial obligation resulting from differences between assumed and actual experience) (dollars in thousands)

	Actuarial Valuation as of June 30	
	2014	2013
Actuarial Obligation at June 30	$8,491,763	$7,991,563
Expected Changes:		
Contributions	159,663	160,771
Benefits Paid	(323,991)	(304,415)
Expected Earnings/Credits	630,720	593,981
Expected Actuarial Obligation at June 30	8,958,155	8,441,900
Expected Actuarial Value of Assets at June 30	9,487,223	8,496,216
Expected UAO at June 30	(529,068)	(54,316)
Actuarial (Gains) or Losses		
(Gain) on Actuarial Obligation	(285,294)	(246,009)
(Gain) on Assets	(1,005,839)	(487,703)
Total Actuarial (Gains) & Losses	(1,291,133)	(733,712)
Additional Earnings and Annuity Credits		
Additional Earnings Credit	347,846	266,247
Additional Annuity Credit	—	29,625
Total Additional Earnings and Annuity Credits	347,846	295,872
Unfunded Actuarial Obligation (Surplus) at June 30	(1,472,355)	(492,156)
Funded Ratio	116%	106%

Table 13 Schedule of Funding Progress

(Dollars in Millions)

Actuarial Valuation Date as of June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll[1] (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2006	$3,951	$3,616	($335)	109%	$24,239	(1%)
2007	5,382	4,622	(760)	116%	25,906	(3%)
2008	5,636	5,627	(9)	100%	27,118	0%
2009	5,146	6,599	1,453	78%	28,763	5%
2010	6,412	7,456	1,044	86%	27,340	4%
2011	8,055	7,774	(281)	104%	27,666	(1%)
2012	8,042	7,992	(50)	101%	27,407	—
2013	8,984	8,492	(492)	106%	27,461	(2%)
2014	10,493	9,021	(1,472)	116%	27,396	(5%)
2015	(2)	(2)	(2)	(2)	(2)	(2)

[1]From the June 30, 2006 to the June 30, 2008 valuation, covered payroll excludes limited term incentive pay and extra service credit pay in order to present the payroll based most relevant to the funding of any unfunded actuarial accrued liabilities of the Defined Benefit Supplement Program.

[2]Actuarial Valuation as of June 30, 2015 are expected to be available by April 2016.

Note: Information of actuarially determined and actual contributions for the State Teachers' Retirement Plan is provided in the Financial section, Schedule III, Contributions of Employer and Nonemployer Contributing Entity table.

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November 25, 2015

Teachers' Retirement Board
California State Teachers' Retirement System

Re: Valuation of the Cash Balance Benefit Program

Dear Members of the Board:

The basic financial goal of the Cash Balance Benefit (CBB) Program of the California State Teachers' Retirement System (CalSTRS) is to maintain sufficient resources to fully fund the obligations. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

CalSTRS measures its funding status as the Funded Ratio of the actuarial value of valuation assets over the actuarial accrued liabilities. The funding status based on the past three actuarial valuations is shown below:

Valuation Date	Funded Ratio
June 30, 2012	100%
June 30, 2013	107%
June 30, 2014	117%

The market gain for the fiscal year ended in 2014 caused an increase in the Funded Ratio. As of June 30, 2014, the Market Value of Assets for the CBB Program exceeds the Actuarial Obligation. Additional interest credits were granted based on the Program's funded level and are reflected in the Funded Ratio shown above. Prior to the additional credits, the Funded Ratio was 122%.

The June 30, 2014 valuation results are based on the membership data and the asset information provided by CalSTRS. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

Milliman did not prepare the summaries or schedules shown the Financial and Actuarial Sections. However, the actuarial information contained in Schedule I, II, III and V of the Financial Section and in this Actuarial Section was derived from our June 30, 2014 actuarial valuation report for funding and our August 28, 2015 letter which communicated the actuarial results for financial reporting for June 30, 2015.

The actuarial computations presented in the valuation report are for purposes of determining the recommended funding amounts for CalSTRS consistent with our understanding of their funding requirements and goals. The liabilities are determined by using the traditional unit credit funding method. The actuarial assets are equal to fair market value.

Milliman

Teachers' Retirement Board
November 25, 2015
Page 2

The funding valuation is based on our understanding of the current benefit provisions of the CBB Program and the actuarial assumptions which were last reviewed and adopted by the Board in February of 2012. The assumptions will be reviewed in detail again in in the fiscal year ending June 30, 2016. The assumptions used for financial reporting under GASB 67 are the same as the funding valuation assumptions with the following exceptions:

1. The discount rate of 7.60% is gross of administrative expenses; and
2. The individual entry age normal cost method is used.

For financial reporting purposes, all programs within the State Teachers' Retirement Plan are reported in aggregate.

We believe the actuarial assumptions and methods are internally consistent, reasonable and meet the parameters of Governmental Accounting Standards Board Statement No. 67 for fulfilling financial accounting requirements and meet the parameters set forth in the relevant Actuarial Standards of Practice (ASOPs). Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions. Future actuarial measurements may differ significantly from the current measurements as presented in the valuation report due to many factors. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Our valuation report and this letter have been prepared exclusively for CalSTRS for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning CalSTRS operations, and uses CalSTRS data, which Milliman has not audited. No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on these assignments are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

We certify that the June 30, 2014 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Respectfully submitted,

Mark C Olleman

Mark C. Olleman, FSA, EA, MAAA
Principal and Consulting Actuary

Nick Collier

Nick J. Collier, ASA, EA, MAAA
Principal and Consulting Actuary

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Summary of Actuarial Assumptions and Methods

CalSTRS, through its consulting actuary, will perform an experience study at least every four years to determine appropriate demographic and economic assumptions. These assumptions are then applied every year when the consulting actuary performs an actuarial valuation to monitor the funding status of the Cash Balance Benefit Program. The most recent actuarial valuation was completed as of June 30, 2014, and adopted by the Teachers' Retirement Board on June 11, 2015. The following summary and tables were prepared by CalSTRS staff. All information is considered in the June 30, 2014 actuarial valuation.

The Cash Balance Benefit Program was established July 1, 1996. The most recent experience study of the program was completed as of June 30, 2010. The experience study was adopted by the Teachers' Retirement Board on February 2, 2012 and was used to complete the latest actuarial valuation. All of the assumptions used in the actuarial valuation were adopted by the Teachers' Retirement Board when the experience study was adopted. Following are the assumptions adopted by the Teachers' Retirement Board for this program.

- Investment return rate and discount rate is 7.00 percent, net of investment and administrative expenses.
- Method used to value plan assets for actuarial valuation purposes: Fair market value.
- Assumption for general wage increase is 3.75 percent, of which 3.00 percent is due to inflation and 0.75 percent is due to expected gains in productivity.
- The actuarial cost method used by the program is the traditional unit credit cost method.
- The Cash Balance Benefit Program does not provide cost-of-living adjustments for benefit recipients.

Actuarial Cost Method

For funding purposes, the Traditional Unit Credit Cost Method was selected for the Cash Balance Benefit Program since the projected benefits of each individual member are allocated by a consistent formula to valuation years. As a result, the actuarial obligation is equal to the accumulated account balances, and the normal cost is equal to the total annual contribution.

Financial Reporting

Under GASB 67 financial reporting the State Teachers' Retirement Plan (STRP) includes the Defined Benefit, Defined Benefit Supplement, Cash Balance Benefit, Supplemental Benefit Maintenance Account and Teachers' Replacement Benefit Programs.

Actuarial method and assumptions for GASB 67 financial reporting

- The discount rate is 7.60 percent, net of investment expenses but gross of administrative expenses.
- The actuarial cost method is the entry age normal cost method.
- General wage increase is 3.75 percent, of which 3.00 percent is due to inflation.
- Postretirement benefit increases of 2.00 percent simple for Defined Benefit Program and 85 percent purchasing power level for SBMA program. Not applicable for Cash Balance Benefit and Defined Benefit Supplement programs.

As required by GASB 67, the discount rate used for financial reporting of 7.60 percent is the expected return for all programs in the State Teachers' Retirement Plan and is net of investment expenses but gross of administrative expenses. The 7.00 percent investment return rate used for funding purposes is for Cash Balance Benefit Program assets only and is net of investment and administrative expenses. GASB 67 also specifies using the entry age normal cost method to calculate pension liability for financial reporting. The traditional unit credit method is used for funding. In addition, the 2011 CalSTRS mortality tables were used in both financial reporting and funding calculations. Table 6 provides more details of the mortality assumptions.

Discussion of recent changes in:

The nature of the program—The Cash Balance Benefit Program was established July 1, 1996.

Program amendments include:

Effective January 1, 2006

- Reduced the one-year waiting period for the receipt of termination benefits to six months.
- Extended eligibility to members hired by a community college district to perform creditable service on a part-time or temporary basis (semester to semester), or for not more than 60 percent of the hours per week considered a regular full-time assignment.

Actuarial Assumptions

The following assumptions were used to complete the valuation for this program.

Neither the economic nor the demographic assumptions for the actuarial valuation as of June 30, 2014, affected the actuarial surplus. Those assumptions for this program will have minimal impact under the traditional unit credit cost method or only have significance when participants elect to annuitize the account balance. Under the program, a participant must have at least $3,500 in his or her account to elect to annuitize the account balance.

The actuarial methods used for the program's actuarial valuation as of June 30, 2014, result in an actuarial surplus of $33,818,000 after additional credits.

CalSTRS contracts for many actuarial services. The current contractor, Milliman, has been CalSTRS actuary since January 15, 2000.

There are no other specific assumptions that have a material impact on valuation results for this program.

Independent Actuarial Review

Actuarial services for CalSTRS are provided under contract by a qualified independent actuarial firm, with additional review provided by the actuarial staff. The current actuarial consultant was retained on January 15, 2000 and in 2006 and 2012, as a result of the competitive bid process.

Through the competitive bid process, the work of a prior actuary will be verified in a subsequent actuarial valuation performed by a new contract actuary. Should the same actuarial firm continue for a period of 10 years, provision is made for an independent review of that firm's work through an actuarial audit completed by another firm. These audit services are acquired using the competitive bid process.

An audit of the 2007 Actuarial Experience Analysis of the Cash Balance Benefit Program was performed by the firm, The Segal Company. The result of the audit was reported to the Teachers' Retirement Board on September 8, 2011.

Summary of Cash Balance Benefit Program Provisions

The following tables and summary were prepared by CalSTRS staff. All information is considered in the June 30, 2014 actuarial valuation.

Membership

Eligibility Requirement—Membership if employed at less than 50 percent of a full-time position for a California school district, community college district or county office of education that has elected to offer the Cash Balance Benefit Program.

Participant—An eligible employee with creditable service subject to coverage who has contributions credited in the program or is receiving an annuity from the program.

Account Balance

Account Balance—Nominal accounts established for the purpose of determining benefits payable to the participant. Accounts are credited with contributions, minimum interest rate and additional earnings credits.

Contributions—Generally, participant contributions are 4 percent of salary and employer contributions are 4 percent of salary.

Rules for contribution rates may differ for participants covered by a collective bargaining agreement, but the sum of the participant and employer contributions must equal or exceed 8 percent of salary, and in no event can the employer contribution rate be less than 4 percent of salary.

The Teachers' Retirement Board may adjust employer contributions for a fixed number of years, but the adjustment shall not exceed 0.25 percent of salaries in any plan year.

Minimum Interest Rate—Annual rate determined for the plan year by the Teachers' Retirement Board in accordance with federal laws and regulations. The minimum interest rate is equal to the average of the yields on 30-year Treasury Notes for the 12 months ending in February preceding the beginning of the plan year, rounded to the next highest basis point.

Additional Earnings Credit—Annual rate determined for the plan year by the Teachers' Retirement Board based on the actual earnings during the plan year, but only to the extent the earnings are sufficient to credit the minimum interest rate and provide any additions to the gain and loss reserve deemed warranted by the board. The board adopted an additional earnings credit of 4.00 percent for the fiscal year ending June 30, 2014.

Additional Annuity Credit—No longer applies, per board additional credit policy adopted on April 2015 meeting.

Normal Retirement

Eligibility Requirement—Age 60.

Benefit—The account balance at the retirement date subject to limits imposed under Internal Revenue Code section 415.

Form of Payment—The normal form of payment is a lump-sum distribution. Annuity options are available if the sum of the employer and employee accounts equals or exceeds $3,500.

Early Retirement

Eligibility Requirement—Age 55.

Benefit and Form of Payment—Same as Normal Retirement.

Late Retirement

Benefit and Form of Payment—Same as Normal Retirement. Contributions and interest continue to be credited to the account balances until distributed.

Deferred Retirement

Benefit—A participant may cease active service, leave the accumulated account balance on deposit and later retire upon attaining the minimum age requirement.

Disability Benefit

Eligibility Requirement—Determination by the Teachers' Retirement Board that the participant has a total and permanent disability.

Benefit—The account balance at the date of disability. An annuity benefit is discontinued if the participant is re-employed before age 60 and performs service creditable under the program.

Form of Payment—Same as Normal Retirement.

Death Before Retirement

Eligibility Requirement—Deceased participant has an account balance.

Benefit—The account balance at the date of death payable to the designated beneficiary.

Form of Payment—Normal distribution is a lump-sum benefit. A participant's beneficiary may elect to receive the benefit in the form of a period-certain annuity if the sum of the balance of credits to the participant's employee and employer accounts equals or exceeds $3,500.

Death After Retirement

Eligibility Requirement—The deceased participant was receiving an annuity.

Benefit—According to the terms of the annuity elected by the participant.

Termination from the Program

Eligibility Requirement—More than five years has elapsed since the most recent termination benefit, if any, has been paid.

Benefit and Form of Payment—Lump-sum distribution of the account balance as of the date of distribution. The benefit is payable six months from the termination of creditable service.

Changes in Cash Balance Benefit Program Provisions

There have been no program amendments that would affect an actuarial valuation of the Cash Balance Benefit Program since the last CalSTRS annual financial report was issued. All program provisions were considered in the completion of the June 30, 2014 actuarial valuation.

CASH BALANCE BENEFIT PROGRAM

All demographic assumptions used in the actuarial valuation were adopted by the Teachers' Retirement Board when the experience study was adopted on February 2, 2012. The following are the assumptions adopted by the Teachers' Retirement Board for this program.

Table 1 Post-Retirement Mortality Table for Sample Ages

	Male	Female
Age	2011 CalSTRS Retired–M	2011 CalSTRS Retired–F
50	0.114%	0.073%
55	0.164	0.118
60	0.300	0.254
65	0.596	0.468
70	1.095	0.864
75	1.886	1.451
80	3.772	2.759
85	7.619	5.596
90	14.212	11.702
95	22.860	17.780

Table 2 Probabilities of Retirement for Sample Ages[1]

	Under 30 years		30 or more years	
Age	Male	Female	Male	Female
55	2.7%	4.5%	8.0%	9.0%
60	6.3	9.0	27.0	31.0
65	13.5	14.4	32.5	37.5
70	10.8	13.5	30.0	35.0
75	100.0	100.0	100.0	100.0

[1]Probabilities of retirement are adjusted for members with service between 25 and 30 years.

Table 3 Probabilities of Withdrawal from Active Service Before Age and Service Retirement for Sample Ages

Duration			
Male		Female	
1	13.0%	1	12.0%
2	9.0	2	8.5
3	6.4	3	6.4
4	4.6	4	4.6
5	3.9	5	3.9
10	1.8	10	1.8
15	0.9	15	0.9
20	0.5	20	0.5
25	0.3	25	0.3
30	0.2	30	0.2
35	—	35	—
40	—	40	—

Table 4 Assumption for Pay Increases Due to Promotions and Longevity for Sample Ages
(exclusive of the assumed general wage increase, which includes inflation)

	Entry Ages					
Duration	Under 25	25–29	30–34	35–39	40–44	45+
1	5.6%	5.3%	5.1%	4.8%	4.8%	3.5%
5	5.5	4.8	4.5	3.8	3.8	2.6
10	3.2	3.0	2.7	2.3	2.2	1.6
20	1.3	1.1	1.1	0.8	0.8	0.6
30	0.9	0.7	0.6	0.5	—	—
40	0.8	0.6	—	—	—	—

Table 5 Economic Assumptions

Consumer Price Inflation	3.00%
Investment Yield	7.00
Wage Inflation	3.75
Interest on Member Accounts	7.00

Table 6 Mortality Assumptions

	Retired Members[1]
Male	2011 CalSTRS Retired-M
Female	2011 CalSTRS Retired-F
	Active Members
Male	2011 CalSTRS Retired-M (-2 years)
Female	2011 CalSTRS Retired-F (-2 years)
	Beneficiaries[1]
Male	2011 CalSTRS Beneficiary-M
Female	2011 CalSTRS Beneficiary-F

[1]Future retirees and beneficiaries are valued with a 2-year age setback.

Table 7 Termination from Disability Due to Death[1]

Male	
Age	
<70	2% at age 40 and under, graded to 3.2% at age 70
≥70	RP 2000 male white collar +7 projected to 2025 at age 70 smoothed to +1 age 85 (select rates in first three years, regardless of age)
Female	
Age	
<70	1.5% at age 40 and less graded to 2.25% at age 70
≥70	RP 2000 female white collar +6 projected to 2025 at age 70 smoothed to +2 at age 80 (select rates in first three years, regardless of age)

[1]Future disabled members are valued with a two-year age setback.

Table 8 Disability Rates—Coverage B
(sample ages)

	Coverage A	
Male	25	0.018%
	30	0.027
	40	0.072
	50	0.144
	55	0.189
Female	25	0.018%
	30	0.027
	40	0.081
	50	0.198
	55	0.252

	Coverage B	
Male	25	0.010
	30	0.020
	35	0.030
	40	0.060
	45	0.100
	50	0.140
	55	0.245
Female	25	0.020
	30	0.020
	35	0.040
	40	0.070
	45	0.110
	50	0.185
	55	0.300

Table 9 Schedule of Active Participant Valuation Data

		Active Members			
Date (as of June 30)	Number of Participating Employers	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
2005	28	9,385	$106,951,000	$11,396	8.0%
2006	30	9,869	122,316,000	12,394	8.8
2007	30	10,579	144,516,000	13,661	10.2
2008	33	11,627	181,104,000	15,576	14.0
2009	33	11,332	182,871,332	16,138	3.6
2010	33	10,378	163,248,119	15,730	(2.5)
2011	33	9,923	158,501,388	15,973	1.5
2012	33	9,273	151,284,621	16,315	2.1
2013	31	9,129	151,281,260	16,572	1.6
2014	32	9,955	175,058,251	17,585	6.1

Table 10 Schedule of Retired Participants and Beneficiaries Added to and Removed from Annuity Rolls

	Added to Rolls		Removed from Rolls		Rolls–End of Year			
Date (as of June 30)	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
2006	5	$10,708	—	$—	11	$24,423	78.1%	$2,220
2007	5	10,715	—	—	16	35,139	43.9%	2,196
2008	7	21,650	—	—	23	56,788	61.6%	2,469
2009	12	29,184	2	4,104	33	81,935	44.3%	2,483
2010[1]	18	55,193	5	23,079	46	114,047	39.2%	2,479
2011	24	66,664	2	6,899	68	173,813	52.4%	2,556
2012	42	139,297	5	18,110	105	294,000	69.1%	2,800
2013	30	132,912	8	26,578	127	401,112	36.4%	3,158
2014	42	212,087	10	43,746	159	568,682	41.8%	3,577
2015	52	164,451	11	74,583	200	658,550	15.8%	3,293

[1]Revised add count for 2010 as a result subsequent years end counts changed.

Table 11 Solvency Test

Aggregate Accrued Liabilities For (in millions)					Funding of Liabilities		
Valuation Date (as of June 30)	(1) Active Member Contributions on Deposit	(2) Future Benefit to Benefit Recipients	(3) Service Already Rendered by Active Members (Financed by Employer)	Actuarial Value of Assets	(1)	(2)	(3)
2005	$51,728,731	$52,000	—	$53,918,000	100.0%	100.0%	—
2006	62,749,487	140,000	—	68,797,000	100.0	100.0	—
2007	79,691,000	191,000	—	93,182,000	100.0	100.0	—
2008	97,802,000	229,000	—	98,892,000	100.0	100.0	
2009	114,338,000	354,000	—	91,793,000	80.2	—	—
2010	129,065,000	509,000	—	114,418,000	88.7	—	—
2011	143,695,000	767,000	—	151,248,000	100.0	100.0	—
2012	156,600,000	1,386,000	—	158,020,000	100.0	100.0	—
2013	174,171,000	1,952,000	—	188,551,000	100.0	100.0	—
2014	194,792,000	3,061,000	—	231,671,000	100.0	100.0	—

Table 12 Analysis of Financial Experience

(gains and losses in unfunded actuarial obligation resulting from differences between assumed and actual experience) (dollars in thousands)

Actuarial Valuation as of June 30		
	2014	**2013**
Actuarial Obligation at June 30:	$176,123	$157,986
Expected Changes:		
Contributions	13,831	13,425
Benefits Paid	(6,187)	(5,021)
Expected Earnings/Credits	12,596	11,353
Expected Actuarial Obligation at June 30:	196,363	177,743
Expected Actuarial Value of Assets at June 30:	209,661	177,780
Expected UAO at June 30	(13,298)	(37)
Actuarial (Gains) or Losses		
(Gain) on Actuarial Obligation	(6,002)	(7,164)
(Gain) on Assets	(22,010)	(10,771)
Total Actuarial (Gains) & Losses	(28,012)	(17,935)
Additional Earnings and Annuity Credits		
Additional Earnings Credit	7,492	5,483
Additional Annuity Credit	0	61
Total Additional Earnings and Annuity Credits	7,492	5,544
Unfunded Actuarial Obligation (Surplus) at June 30	(33,818)	(12,428)
Funded Ratio	117%	107%

Table 13 Schedule of Funding Progress

(Dollars in Millions)

Actuarial Valuation Date as of June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Funding Excess) (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2006	$69	$63	$(6)	109%	$122	(5%)
2007	93	80	(13)	117%	145	(9%)
2008	99	98	(1)	101%	181	(1%)
2009	92	115	23	80%	182	13%
2010	114	130	16	88%	163	10%
2011	151	144	(7)	105%	158	(4%)
2012	158	158	0	100%	151	—
2013	189	176	(13)	107%	151	(9%)
2014	232	198	(34)	117%	174	(20%)
2015	(1)	(1)	(1)	(1)	(1)	(1)

[1]Actuarial Valuation as of June 30, 2015 are expected to be available by April 2016.

Note: Information of actuarially determined and actual contributions for the State Teachers' Retirement Plan is provided in the Financial section, Schedule III, Contributions of Employer and Nonemployer Contributing Entity table.

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November 25, 2015

Teachers' Retirement Board
California State Teachers' Retirement System

Re: GASB 43 Reporting for the Medicare Premium Payment Program

Dear Members of the Board:

The basic financial goal of the Medicare Premium Payment (MPP) Program of the California State Teachers' Retirement System (CalSTRS) is to maintain sufficient resources to fully fund the obligations. Actuarial valuations used for GASB 43 reporting are performed every two years and measure the progress toward this goal, as well as test the adequacy of the contribution rates. The most recent valuation was as of June 30, 2014.

The MPP Program is essentially funded on a pay-as-you-go basis with a portion of contributions to the DB Program diverted to the Teachers' Health Benefit Fund to make MPP Program payments. As of June 30, 2014, $341 million of future employer contributions to the DB Program have been allocated to pay the MPPP benefits; however, this amount is not included as an asset for GASB 43 reporting. This gives the appearance that the MPP Program is significantly underfunded in the GASB 43 results. However, based on the commitment to transfer a portion of future contributions from the DB Program to fund the MPP Program, it is our opinion that the MPP Program continues in sound financial condition as of June 30, 2014.

The June 30, 2014 valuation results are based on the membership data and the asset information provided by CalSTRS. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

Milliman did not prepare the summaries or schedules shown the Financial and Actuarial Sections. However, the actuarial information contained in Schedule I, II, III and V of the Financial Section and in this Actuarial Section was derived from our June 30, 2014 actuarial valuation report.

The valuation is based on our understanding of the current benefit provisions of the MPP Program and the actuarial assumptions which were last reviewed and adopted by the Board at the February 2015 meeting.

We believe the actuarial assumptions and methods are internally consistent, reasonable and meet the parameters of Governmental Accounting Standards Board Statement No. 43 for fulfilling financial accounting requirements and meet the parameters set forth in the relevant Actuarial Standards of Practice (ASOPs). It should be noted that we relied on advice from Milliman's health actuaries on our recommendations of assumptions specific to health costs. Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions. Future actuarial

Milliman

Teachers' Retirement Board
November 25, 2015
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measurements may differ significantly from the current measurements as presented in the valuation report due to many factors. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Our valuation report and this letter have been prepared exclusively for CalSTRS for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning CalSTRS operations, and uses CalSTRS data, which Milliman has not audited. No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on these assignments are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

In conclusion, the results presented in this report satisfy GASB 43 reporting purposes. Based on the current actuarial assumptions, the current assets of the MPP Program fund 0.1% of the accrued liabilities. It should be noted that these calculations do not include $341 million of future employer contributions to the DB Program that has been allocated to pay the MPPP benefits.

We certify that the June 30, 2014 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Respectfully submitted,

Mark C. Olleman, FSA, EA, MAAA	Nick J. Collier, ASA, EA, MAAA
Principal and Consulting Actuary	Principal and Consulting Actuary

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Summary of Actuarial Assumptions and Methods

CalSTRS, through its consulting actuary, will perform an experience study at least every four years to determine appropriate demographic and economic assumptions. These assumptions are then applied every two years when the consulting actuary produces GASB 43 reporting information for the CalSTRS Medicare Premium Payment Program. The GASB 43 reporting information was completed as of June 30, 2014, and adopted by the Teachers' Retirement Board on April 2, 2015. The following tables and summary were prepared by CalSTRS staff.

The Medicare Premium Payment Program was established January 1, 2001. Assumptions specific to the Medicare Premium Payment Program were adopted by the Teachers' Retirement Board on June 5, 2009. The economic and demographic assumptions were based on those adopted for the Defined Benefit Program by the Teachers' Retirement Board on February 2, 2012. The economic and demographic assumptions were used for GASB 43 reporting information. The Defined Benefit Program and the Medicare Premium Payment Program share the same population, so it is reasonable to use most of the same assumptions for both programs. Following are the assumptions adopted by the Teachers' Retirement Board for GASB 43 reporting:

- GASB 43 discount rate is 3.5 percent.
- Method used to value plan assets for GASB 43 reporting purposes: market value of assets held in the Health Benefit Trust Fund.
- Assumption for the price increase is 3.00 percent.
- The actuarial cost method used for GASB 43 reporting purposes is entry age normal.

Discussion of recent changes in:

The nature of the program—The Medicare Premium Payment Program was established January 1, 2001. All provisions of the program as of June 2014 were considered when producing GASB 43 reporting information.

Actuarial Assumptions—There have been several changes to the assumptions since the June 30, 2012 valuation. The most significant changes were the reductions in the probabilities of enrollment in the Medicare Premium Payment Program and the reduced investment return assumption. The following assumptions were used to complete the valuation for this program.

Actuarial Methods

Actuarial Cost Method

Level Dollar Entry Age Normal

Asset Valuation Method

Fair Market Value in the Health Benefit Trust Fund

The actuarial methods used for GASB 43 reporting purposes as of June 30, 2014, result in an unfunded actuarial accrued liability of $481.1 million.

CalSTRS contracts for many actuarial services. The current contractor, Milliman, has been CalSTRS actuary since the program's inception.

There are no other specific assumptions that have a material impact on GASB 43 reporting information.

Independent Actuarial Review

Actuarial services for CalSTRS are provided under contract by a qualified independent actuarial firm, with additional review provided by the actuarial staff.

Through the competitive bid process, the work of a prior actuary will be verified in a subsequent actuarial valuation performed by a new contract actuary. Should the same actuarial firm continue for a period of 10 years, provision is made for an independent review of that firm's work through an actuarial audit completed by another firm. These audit services are acquired using the competitive bid process.

An audit of the 2007 Actuarial Experience Analysis of the Medicare Premium Payment Program was performed by the firm, The Segal Company. The result of the audit was reported to the Teachers' Retirement Board on September 8, 2011.

Summary of Medicare Premium Payment Program Provisions

The following tables and summary were prepared by CalSTRS staff. All information is considered for GASB 43 reporting purposes as of June 30, 2014.

MEDICARE PREMIUM PAYMENT PROGRAM

Membership

Eligibility requirement—Part A

Member—satisfies either:

1) Retired or disabled prior to January 1, 2001; hired prior to April 1, 1986; age 65 or above; enrolled in Medicare Part A and Part B; and not eligible for Part A without premium payment.

   \- or -

2) Meet all above requirements, except retired or disabled before July 1, 2012; district completed a Medicare Division election prior to retirement; and active member less than 58 years of age at the time of the election.

Spouse eligibility—Spouses of members are not eligible to participate in the program.

Eligibility requirement—Part B

Only those currently enrolled are eligible.

Benefits Paid

Part A – Part A premium ($426 per month in 2014)

Part B – Part B penalty. Based on Part B premium ($104.90 per month in 2014). Small group of high earners will have higher premiums, up to $335.70 in 2014.

Changes in the Medicare Premium Payment Program Provisions

The following amendments were considered for June 30, 2014 GASB 43 reporting:

- Medicare Premium Payment Program was extended for a five-year period to include members retiring or becoming disabled prior to July 1, 2012.

MEDICARE PREMIUM PAYMENT PROGRAM

Demographic assumptions used for GASB 43 reporting were adopted by the Teachers' Retirement Board when the experience study was adopted on February 2, 2012. Following are assumptions adopted by the Teachers' Retirement Board for this program.

Table 1 Post-Retirement Mortality Table for Sample Ages

	Male	Female
Age	2011 CalSTRS Retired–M	2011 CalSTRS Retired–F
50	0.114%	0.073%
55	0.164	0.118
60	0.300	0.254
65	0.596	0.468
70	1.095	0.864
75	1.886	1.451
80	3.772	2.759
85	7.619	5.596
90	14.212	11.702
95	22.860	17.780

Table 2 Probabilities of Retirement for Sample Ages

NOT APPLICABLE

Table 3 Probabilities of Withdrawal from Active Service Before Age and Service Retirement for Sample Age

NOT APPLICABLE

Table 4 Probability of Refund

NOT APPLICABLE

Table 5 Economic Assumptions

Investment Yield	
GASB Reporting	3.50%
Medical Inflation	
Part A Premiums	3.70%
Part B Premiums	5.70%
Price Inflation	**3.00%**

Table 6 Mortality Assumptions

	Retired Members[1]
Male	2011 CalSTRS Retired-M
Female	2011 CalSTRS Retired-F
	Active Members
Male	N/A
Female	N/A
	Beneficiaries[1]
Male	2011 CalSTRS Beneficiary-M
Female	2011 CalSTRS Beneficiary-F

[1]Future retirees and beneficiaries are valued with a two-year age setback.

Table 7 Termination from Disability Due to Death[1]

Male	
Age	
<70	2% at age 40 and under, graded to 3.2% at age 70
≥70	RP 2000 male white collar +7 projected to 2025 at age 70 smoothed to +1 age 85 (select rates in first three years, regardless of age)
Female	
Age	
<70	1.5% at age 40 and less graded to 2.25% at age 70
≥70	RP 2000 female white collar +6 projected to 2025 at age 70 smoothed to +2 at age 80 (select rates in first three years, regardless of age)

[1]Future disabled members are valued with a two-year age setback.

Table 8 Service Retirement
(sample ages)

NOT APPLICABLE

Table 9 Disability Rates
(sample ages)

NOT APPLICABLE

MEDICARE PREMIUM PAYMENT PROGRAM

Table 10 Schedule of Medicare Part A Enrollment Rates

Assumption	Best Estimate	
	Male	Female
% of Under 65 Retirees Enrolling (Retired On or After 2001)	2.80%	2.80%
% of Under 65 Retirees Enrolling (Retired Before 2001)	4.50	4.50
% of Over 65 Retirees Enrolling (For Those Not Currently Enrolled) at Age:		
65	1.20	1.20
66	0.12	0.12
67	0.10	0.10
68	0.08	0.08
69	0.06	0.06
70-84	0.02	0.02
85 & above	—	—

Table 11 Schedule of Retired Members Added to and Removed from Medicare Part A Premium Rolls

	Added to Rolls[1]		Removed from Rolls		Rolls-End of Year			
Date (as of June 30)	Number	Annual Allowances[2]	Number	Annual Allowances[2]	Number	Annual Allowances[2]	% Increase in Annual Allowances	Average Annual Allowances
2006	405	$1,193	219	$613	6,188	$27,326	5.2%	$4,416
2007	391	1,274	215	630	6,268	29,618	8.4%	4,725
2008	389	1,296	213	608	6,300	31,328	5.8%	4,973
2009	399	1,489	208	604	6,431	35,814[3]	14.3%	5,569
2010	347	1,215	220	660	6,475	34,015	(5.0%)	5,253
2011	537	2,202	231	695	6,709	34,677	1.9%	5,169
2012	359	1,177	218	634	6,742	33,708	(2.8%)	5,000
2013*	305	1,009	212	641	6,770	33,663	(0.1%)	4,972
2014	235	751	259	703	6,684	32,047	(4.8%)	4,795
2015	178	443	254	772	6,474	29,729	(7.2%)	4,592

[1]The Medicare Premium Payment Program was established July 1, 2001.

[2]Dollars in thousands.

[3]This does not include the $8.04 million credit adjustments and deletions. If including the credit adjustments and deletions, the Total Annual Benefits would be $28.3 million, the percentage increase in annual benefits would be -9.6% and the average annual benefit would be $4,402.

*Numbers revised in 2014.

Table 12 Solvency Test[1]

Aggregate Accrued Liabilities for (in millions)					Funding of Liabilities		
Valuation Date (as of June 30)	(1) Active Member Contributions on Deposit	(2) Future Benefit to Benefit Recipients	(3) Service Already Rendered by Active Members	Actuarial Value of Assets	(1)	(2)	(3)
2006	$ —	$796.5	—	$2.7	100%	0.3%	— %
2008	—	976.3	—	4.2	100	0.4	—
2010	—	905.0	—	0.6	100	0.1	—
2012	—	582.1	—	0.4	100	0.1	—
2014	—	482.0	—	0.9	100	0.2	—

[1]GASB 43 reporting information was determined for the first time as of June 30, 2006.

Table 13 Analysis of Financial Experience

(gains and losses in unfunded actuarial obligation resulting from differences between assumed and actual experience) (dollars in millions)

	GASB 43 reporting as of June 30	
	2014	2012
Actuarial Obligation at June 30:		
Expected Changes:		
Eligibility Extended	not calculated	not calculated
Benefits Paid	($33.0)	($35.0)
Interest	not calculated	not calculated
Expected Actuarial Obligation at June 30:	not calculated	not calculated
Expected Actuarial Value of Assets at June 30:	not calculated	not calculated
Expected UAO at June 30	not calculated	not calculated
Actuarial (Gains) or Losses		
(Gain) on Medical Trend Assumption	not calculated	not calculated
(Gain) on Premium/Penalty	not calculated	not calculated
(Gain) on Part B Premium for higher earners	not calculated	not calculated
(Gain) other sources	not calculated	not calculated
Total Actuarial Gains & Losses	not calculated	not calculated
Unfunded Actuarial Obligation (Surplus) at June 30	$481.1	$581.7
Funded Ratio	0.2%	0.1%

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2007
2008
2009
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2011
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2013
2014
2015
2016
2017
2018
2019

In fiscal year 2014–15, CalSTRS members, on average, retired at age 63 after about 25 years of service with **a pension replacing less than 60 percent of their highest salary**.

STATISTICAL

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STATISTICAL

The Statistical section presents additional detailed information to assist users of basic financial statements, notes to basic financial statements and required supplementary information in assessing the economic condition of CalSTRS. The section provides financial trend information for the State Teachers' Retirement Plan (STRP), which includes Defined Benefit, Defined Benefit Supplement, Cash Balance Benefit and Replacement Benefits Program, as well as operating information for the Pension2 and Medicare Premium Payment programs. Previously financial trend information for the STRP was presented by program—Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit. Financial trend information for those programs has been consolidated and presented as the STRP to be consistent with the basic financial statements. Operating information for STRP programs continues to be presented separately because consolidation would not provide meaningful information due to the unique characteristics of those programs. The Teachers' Deferred Compensation Fund is deemed immaterial and is not presented.

The financial trend schedules assist users in understanding and assessing how the system's financial position has changed over time and include:

- Changes in Fiduciary Net Position
- Benefit and Refund Deductions From Net Position by Type

The operating information schedules provide data about the system's operations and resources to assist users in understanding CalSTRS benefits and services, and include:

- Members and Benefit Recipient Statistics
- Participating Employers Statistics

The information in this section was derived from the CalSTRS pension administration system, START, except where noted.

Notes:

Supplemental statistical tables are available on request by calling CalSTRS at **800-228-5453**.

2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

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Table 1 | Changes in Fiduciary Net Position[1]
(dollars in millions)

Fiscal Year Ending June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Additions										
Member Contributions	$2,509.7	$2,263.6	$2,336.8	$2,279.9	$2,355.9	$2,331.5	$2,500.6	$2,511.8	$2,334.9	$2,230.8
Employer Contributions	2,677.8	2,272.2	2,283.3	2,238.0	2,310.2	2,286.3	2,464.2	2,453.3	2,285.7	2,203.6
State of California/ Federal Government[2]	1,425.8	1,383.5	1,328.3	1,302.5	1,193.3	1,221.6	1,140.4	1,629.6	1,084.4	1,018.7
Investment Income	7,611.6	30,401.9	20,682.4	1,071.3	30,030.3	15,089.3	(40,357.7)	(9,655.1)	29,839.9	16,077.7
Other Income	3.9	2.1	1.2	4.1	6.5	7.7	7.5	213.1	0.5	0.1
Total Additions	**$14,228.8**	**$36,323.3**	**$26,631.9**	**$6,895.8**	**$35,896.2**	**$20,936.4**	**$(34,245.0)**	**$(2,847.3)**	**$35,545.4**	**$21,530.9**
Deductions										
Benefit Payments to Members[3]	$12,284.1	$11,725.3	$11,133.3	$10,442.5	$9,854.5	$9,085.3	$8,256.2	$7,591.7	$6,937.6	$6,433.7
Refunds of Member Contributions	87.7	107.6	105.0	108.1	116.1	100.2	105.8	101.8	106.2	97.4
Purchasing Power Benefits	192.8	202.2	221.5	234.6	237.6	272.6	348.1	229.8	230.3	215.3
Administration Expenses	145.2	154.2	136.9	138.4	110.4	140.2	113.2	109.4	105.9	95.6
Other Expense	8.8	8.8	4.4	0.0	0.0	0.0	0.0	(0.2)	0.0	0.0
Total Deductions	**$12,718.6**	**$12,198.1**	**$11,601.1**	**$10,923.6**	**$10,318.6**	**$9,598.3**	**$8,823.2**	**$8,032.4**	**$7,380.0**	**$6,842.1**
Change in Fiduciary Net Position	**$1,510.2**	**$24,125.2**	**$15,030.8**	**$(4,027.7)**	**$25,577.6**	**$11,338.1**	**$(43,068.2)**	**$(10,879.6)**	**$28,165.4**	**$14,688.8**

There may be immaterial rounding differences between the figures presented in this table and in the Statement of Changes in Fiduciary Net Position.

[1]Includes the Replacement Benefit Program beginning in 2009, the year the Replacement Benefit Program began being reported as part of the State Teachers' Retirement Plan.

[2]Includes Elder Full Funding, SBMA contributions, and school lands revenue.

[3]Includes member elected administrative transfers to purchase service credit in the Defined Benefit program.

Table 2 Benefit and Refund Deductions from Fiduciary Net Position by Type[1]
(dollars in millions)

Fiscal Year Ending June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Type of Benefit										
Age & Service Benefits										
Retired Members[(2)]	$11,305.8	$10,821.1	$10,280.6	$9,703.8	$9,167.4	$8,356.8	$7,609.0	$6,965.1	$6,382.8	$5,912.9
Survivors	591.0	547.3	527.9	502.8	464.8	503.9	443.6	426.6	376.9	351.9
Death	75.9	57.0	73.6	31.0	35.3	42.8	37.0	39.3	29.2	29.6
Purchasing Power Benefits	192.8	202.2	221.5	234.6	237.6	272.6	348.1	229.8	230.3	215.3
Disability Benefits										
Retired Members	311.4	299.9	251.2	204.9	187.1	181.8	166.5	160.8	148.7	139.2
Survivors	—	—	—	—	—	—	—	—	—	—
Total Benefits	**$12,476.9**	**$11,927.5**	**$11,354.8**	**$10,677.1**	**$10,092.2**	**$9,357.9**	**$8,604.2**	**$7,821.6**	**$7,167.9**	**$6,649.0**
Type of Refund										
Separation	$87.7	$107.6	$105.0	$108.1	$116.1	$100.2	$105.8	$101.8	$106.2	$97.5
Total Refunds	**$87.7**	**$107.6**	**$105.0**	**$108.1**	**$116.1**	**$100.2**	**$105.8**	**$101.8**	**$106.2**	**$97.5**

There may be immaterial rounding differences between the figures presented in this table and in the Statement of Changes in Fiduciary Net Position.

[1]Includes the Replacement Benefit Program beginning in 2009.

[2]Benefit payments include member elected administrative transfers to purchase service credit in the Defined Benefit program.

Table 1 Active Member Characteristics

Fiscal Year Ending June 30	Count	Average Earnable Salary[1]	Average Age	Average Service Credit	Average Service Projected to Age 60
2006	453,365	$57,698	44.6	10.8	26.1
2007	455,693	61,097	44.7	10.8	26.1
2008	461,378	63,281	44.7	10.8	26.2
2009	459,009	64,044	44.8	11.0	26.2
2010	441,544	64,156	45.1	11.3	26.3
2011	429,600	64,069	45.3	11.7	26.3
2012	421,499	64,743	45.5	11.9	26.5
2013	416,643	65,571	45.6	12.2	26.6
2014	420,887	67,276	45.6	12.3	26.6
2015	429,460	69,597	45.5	12.2	26.7

[1]Average salary that would be paid if members worked full-time basis.

Table 2 Members Retired for Service During Fiscal Year 2014–15, Classified by Unmodified Allowance[1]

Monthly Unmodified Allowance[2]	Count	Average Age at Retirement[3]	Average Service Credit[3]	Average Final Compensation[3*]	Average Allowance Payable[4]
Less than $500	445	62.7	5.145	$ 3,877	$311
500–1000	630	62.9	9.111	4,278	724
1000–1500	641	62.6	12.550	5,165	1,215
1500–2000	647	62.1	15.085	5,924	1,696
2000–2500	826	62.9	17.547	6,231	2,165
2500–3000	951	63.0	19.904	6,561	2,647
3000–3500	883	63.2	22.150	6,821	3,141
3500–4000	771	63.0	24.538	7,080	3,610
4000–4500	822	63.2	26.418	7,255	4,076
4500–5000	807	63.5	28.384	7,396	4,558
5000–5500	763	63.3	29.958	7,625	5,017
5500–6000	653	63.0	31.794	7,758	5,521
6000 & Greater	2,439	63.2	35.749	8,964	7,361
Total	**11,278**	**63.0**	**24.221**	**$7,013**	**$3,968**

[1]Does not include formerly disabled members.

[2]As of the June 30, 2004 population report the longevity bonus is included in the unmodified allowance.

[3]Overall averages.

[4]Includes cumulative application of annual 2 percent benefit improvement factor.

*Excludes new retirees with no final comp data.

Table 3 Members Retired for Service During Fiscal Year 2014–15[1], Classifed by Age and Joint & Survivor Option Elected[2]

			Option types							
Age	Total	Unmodified	2	3	4	5	6	7	8	9
Under 55	19	11					1	5	1	1
55	412	281					87	24	5	15
56	267	174					53	28		12
57	302	171					61	47	5	18
58	400	235					79	48	3	35
59	514	299					93	57	4	61
60	925	500					190	129	9	97
61	1,325	623	3				289	198	21	191
62	1,489	770					325	190	23	181
63	1,405	756	2				289	184	20	154
64	897	504	8	1			171	104	19	90
65	874	492	9				167	108	20	78
66	660	383	14				119	72	12	60
67	475	269	8				92	59	8	39
68	388	241	8				70	38	7	24
69	248	159	3	1	1		33	27	4	20
70	197	130	2				26	23	4	12
71	138	88	1				20	13	4	12
72	103	72	1				14	8		8
73	60	38	1		1		8	8	1	3
74	46	33	1				6	2		4
75 and over	134	82	4				19	16	5	8
Total	**11,278**	**6,311**	**65**	**2**	**2**		**2,212**	**1,388**	**175**	**1,123**
% of Total	100%	56%	1%	—	—	—	20%	12%	2%	10%

[1]Does not include formerly disabled members.

[2]Option Elected:

Option 2 - Beneficiary receives 100% of member's modified allowance.

Option 3 - Beneficiary receives 50% of member's modified allowance.

Option 4 - Beneficiary receives 2/3 of member's modified allowance.

Option 5 - Survivors receive 50% of member's modified allowance, upon death of either member of beneficiary.

Option 6 - Beneficiary receives 100% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount.

Option 7 - Beneficiary receives 50% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount.

Option 8 - Compound option that allows the member to provide for more than one beneficiary.

Option 9 - Beneficiary receives 75% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount.

Table 4 Characteristics of Members Going on Disability

Fiscal Year Ending June 30	Count	Average Disability Allowance Payable	Average Service Credit	Average Final Compensation	Average Age at Disability
2006	402	$2,522	14.061	$5,134	54.5
2007	501	2,579	13.959	5,281	54.7
2008	510	2,660	14.074	5,478	54.5
2009	511	2,728	13.934	5,567	53.8
2010	498	2,825	14.524	5,827	55.3
2011	504	2,784	14.297	5,781	55.0
2012	488	2,825	14.321	5,823	55.4
2013	571	2,788	14.800	5,742	54.9
2014	494	2,875	14.993	5,967	55.1
2015	503	2,899	15.158	6,002	54.3

Table 5 Total Number of Benefit Recipients by Type of Benefit

Fiscal Year Ending June 30	Service Retirement	Disability Benefits	Benefits for Survivors	Total Benefit Recipients
2006	181,833	7,683	18,330	207,846
2007	188,659	7,915	19,067	215,641
2008	195,960	8,170	19,838	223,968
2009	203,649	8,380	20,588	232,617
2010	213,952	8,581	21,263	243,796
2011	222,222	8,813	22,006	253,041
2012	230,278	9,036	22,724	262,038
2013	236,487	9,374	23,413	269,274
2014	241,920	9,604	24,103	275,627
2015	247,353	9,848	24,899	282,100

Table 6 Members Retired for Service Characteristics[1] by Year of Retirement

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Allowance	Average Final Compensation	Average Age at Retirement
7/1/2005 thru 6/30/2006[2]					
0–5	115	2.4	$281	$5,724	61.2
5–10	980	7.3	607	4,056	61.7
10–15	919	12.5	1,197	4,756	61.2
15–20	1,235	17.6	1,935	5,387	61.2
20–25	1,198	22.2	2,631	5,758	61.3
25–30	1,143	27.0	3,678	6,423	61.9
30–35	2,843	32.5	4,982	6,685	60.4
35–40	2,091	37.2	6,279	7,024	61.2
40 & over	353	42.2	7,575	7,163	65.1
Total	**10,877**	**26.0**	**$3,810**	**$6,079**	**61.2**
7/1/2006 thru 6/30/2007[2]					
0–5	105	2.5	$253	$5,127	61.0
5–10	1,080	7.3	620	4,075	62.0
10–15	1,019	12.4	1,239	4,874	61.4
15–20	1,311	17.5	2,039	5,625	61.5
20–25	1,248	22.2	2,802	5,987	61.8
25–30	1,249	27.1	3,847	6,678	62.0
30–35	3,078	32.5	5,312	7,087	60.6
35–40	2,259	37.3	6,680	7,434	61.4
40 & over	413	42.2	8,151	7,830	65.0
Total	**11,762**	**26.1**	**$4,059**	**$6,371**	**61.5**
7/1/2007 thru 6/30/2008[2]					
0–5	129	2.6	$286	$5,393	61.5
5–10	1,038	7.3	643	4,213	62.2
10–15	1,093	12.4	1,307	5,090	61.6
15–20	1,324	17.7	2,148	5,822	61.6
20–25	1,463	22.2	2,902	6,203	61.7
25–30	1,408	27.0	4,000	6,921	62.1
30–35	3,203	32.5	5,526	7,315	60.9
35–40	2,443	37.3	6,908	7,685	61.4
40 & over	467	42.0	8,242	7,990	64.6
Total	**12,568**	**26.3**	**$4,239**	**$6,612**	**61.6**

[1]Does not include formerly disabled members.

[2]The Average unmodified allowance for this fiscal year includes the Longevity Bonus.

Table 6 Members Retired for Service Characteristics[1] by Year of Retirement (continued)

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Allowance	Average Final Compensation	Average Age at Retirement
7/1/2008 thru 6/30/2009[2]					
0–5	126	2.4	$291	$5,814	62.4
5–10	1,022	7.4	668	4,236	62.8
10–15	1,145	12.4	1,336	5,140	62.1
15–20	1,323	17.7	2,235	5,995	61.8
20–25	1,535	22.3	3,116	6,537	62.1
25–30	1,406	27.1	4,125	7,076	62.2
30–35	3,161	32.4	5,687	7,506	61.1
35–40	2,574	37.2	7,122	7,866	61.7
40 & over	461	42.2	8,594	8,316	64.9
Total	**12,753**	**26.3**	**$4,396**	**$6,796**	**61.9**
7/1/2009 thru 6/30/2010[2]					
0–5	148	2.3	$289	$5,535	61.4
5–10	1,356	7.4	686	4,287	63.0
10–15	1,436	12.6	1,446	5,385	62.4
15–20	1,663	17.6	2,326	6,138	62.3
20–25	2,323	22.4	3,236	6,658	62.4
25–30	1,885	27.1	4,231	7,165	62.5
30–35	3,620	32.4	5,665	7,478	61.2
35–40	2,481	37.2	7,228	7,999	61.6
40 & over	581	42.3	8,759	8,409	65.4
Total	**15,493**	**25.5**	**$4,256**	**$6,800**	**62.2**
7/1/2010 thru 6/30/2011[2]					
0–5	194	2.401	$305	$6,182	62.0
5–10	1,388	7.301	663	4,187	62.9
10–15	1,506	12.508	1,487	5,491	62.7
15–20	1,571	17.475	2,320	6,191	62.2
20–25	2,005	22.433	3,278	6,729	62.5
25–30	1,834	27.053	4,237	7,186	62.4
30–35	2,874	32.412	5,693	7,508	61.3
35–40	2,068	37.241	7,313	8,091	61.8
40 & over	456	42.267	9,037	8,738	65.6
Total	**13,896**	**24.534**	**$4,088**	**$6,763**	**62.3**

[1]Does not include formerly disabled members.

[2]The Average unmodified allowance for this fiscal year includes the Longevity Bonus.

Table 6 Members Retired for Service Characteristics[1] by Year of Retirement (continued)

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Allowance	Average Final Compensation	Average Age at Retirement
7/1/2011 thru 6/30/2012[2]					
0–5	167	2.441	$310	$6,013	63.0
5–10	1,497	7.306	676	4,224	63.2
10–15	1,659	12.521	1,437	5,315	62.7
15–20	1,743	17.425	2,316	6,122	62.7
20–25	1,962	22.535	3,350	6,788	62.6
25–30	1,878	27.097	4,318	7,212	62.8
30–35	2,547	32.504	5,750	7,550	61.4
35–40	1,770	37.203	7,364	8,093	61.9
40 & over	396	42.138	9,487	9,113	65.2
Total	**13,619**	**23.710**	**$3,936**	**$6,670**	**62.5**
7/1/2012 thru 6/30/2013[2]					
0–5	132	2.527	$311	$6,092	62.8
5–10	1,017	7.246	710	4,540	63.1
10–15	1,298	12.573	1,521	5,528	63.1
15–20	1,678	17.421	2,392	6,272	63.0
20–25	1,760	22.589	3,367	6,802	62.8
25–30	1,817	27.222	4,319	7,169	62.7
30–35	2,150	32.509	5,700	7,528	61.6
35–40	1,522	37.206	7,329	8,038	61.8
40 & over	271	42.344	8,924	8,439	65.6
Total	**11,645**	**24.085**	**$3,980**	**$6,769**	**62.6**

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Allowance	Average Final Compensation	Average Age at Retirement
7/1/2013 thru 6/30/2014[2]					
0–5	144	2.230	$268	$5,994	62.9
5–10	950	7.416	721	4,463	63.2
10–15	1,176	12.645	1,533	5,553	63.1
15–20	1,604	17.432	2,425	6,286	63.2
20–25	1,593	22.411	3,334	6,743	62.9
25–30	1,845	27.167	4,443	7,367	63.0
30–35	1,814	32.332	5,607	7,532	61.6
35–40	1,374	37.179	7,295	7,973	61.9
40 & over	236	42.214	9,197	8,741	65.5
Total	**10,736**	**23.819**	**$3,939**	**$6,774**	**62.7**

[1]Does not include formerly disabled members.

[2]The Average unmodified allowance for this fiscal year includes the Longevity Bonus.

Table 6 Members Retired for Service Characteristics[1] by Year of Retirement (continued)

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Allowance	Average Final Compensation*	Average Age at Retirement
7/1/2014 thru 6/30/2015[2]					
0–5	168	2.188	$275	$6,195	62.6
5–10	855	7.357	736	4,517	63.7
10–15	1,125	12.629	1,554	5,597	63.4
15–20	1,764	17.589	2,520	6,467	63.4
20–25	1,585	22.406	3,415	6,883	63.0
25–30	2,069	27.185	4,603	7,576	63.3
30–35	1,948	32.128	5,709	7,787	62.0
35–40	1,482	37.096	7,490	8,207	62.2
40 & over	282	42.378	9,539	9,166	65.8
Total	**11,278**	**24.221**	**$4,142**	**$7,013**	**63.0**

[1]Does not include formerly disabled members.

[2]The Average unmodified allowance for this fiscal year includes the Longevity Bonus.

*Excludes retirees with no final comp data.

Table 7 Members Retired for Service Characteristics[1]

Fiscal Year Ending June 30	Average Age at Retirement	Average Years of Service Credit	Average Final Compensation	Average Current Allowance Payable
2006	60.8	26.2	$4,264	$2,741
2007	60.8	26.3	4,437	2,878
2008	60.8	26.3	4,620	3,021
2009	60.8	26.4	4,798	3,164
2010	60.9	26.3	4,983	3,302
2011	61.0	26.3	5,138	3,417
2012	61.1	26.2	5,271	3,517
2013	61.1	26.1	5,385	3,609
2014	61.2	26.0	5,487	3,694
2015	61.3	25.9	5,597	3,786

[1]Does not include formerly disabled members.

Table 8 Retired Members by Type of Benefit and Option Selected

		Type of Benefit[1]			Option selected[2]								
Monthly Unmodified Allowance[4]	Total	1[3]	2	3	Unmodified	2	3	4	5	6	7	8	9
Less than $500	17,602	15,171	97	2,334	12,903	1,409	461	68	79	1,740	630	93	219
500–1000	25,809	22,196	608	3,005	17,455	2,028	1,068	114	103	2,912	1,501	107	521
1000–1500	26,678	22,216	984	3,478	15,802	2,538	1,408	206	152	3,420	2,337	106	709
1500–2000	28,407	23,424	1,605	3,378	15,869	2,451	1,123	452	179	3,820	3,444	140	929
2000–2500	28,903	23,315	2,278	3,310	15,141	2,320	986	392	205	4,451	4,155	192	1,061
2500–3000	25,278	20,617	2,040	2,621	12,757	1,819	627	290	129	4,474	3,907	186	1,089
3000–3500	21,125	17,688	1,506	1,931	10,448	1,293	405	248	71	4,021	3,340	210	1,089
3500–4000	16,456	14,764	485	1,207	7,910	929	284	170	59	3,207	2,819	158	920
4000–4500	15,077	14,055	142	880	7,071	782	235	100	39	2,936	2,820	197	897
4500–5000	14,449	13,631	55	763	6,547	721	213	69	29	3,127	2,640	208	895
5000–5500	14,206	13,621	27	558	6,270	673	178	65	20	3,155	2,663	210	972
5500–6000	12,476	12,036	11	429	5,416	590	153	60	17	2,833	2,248	200	959
6000 & Greater	35,634	34,619	10	1,005	13,539	2,063	337	142	44	9,389	6,068	905	3,147
Total	**282,100**	**247,353**	**9,848**	**24,899**	**147,128**	**19,616**	**7,478**	**2,376**	**1,126**	**49,485**	**38,572**	**2,912**	**13,407**

[1]Type of Benefit: 1) Service Retirement 2) Disability Benefits 3) Survivor Benefits

[2]Option Selected: Option 2 - Beneficiary receives 100% of member's modified allowance.
Option 3 - Beneficiary receives 50% of member's modified allowance.
Option 4 - Beneficiary receives 2/3 of member's modified allowance.
Option 5 - Survivors receive 50% of member's modified allowance, upon death of either member of beneficiary.
Option 6 - Beneficiary receives 100% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount.
Option 7 - Beneficiary receives 50% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount.
Option 8 - Compound option that allows the member to provide for more than one beneficiary.
Option 9 - Beneficiary receives 75% of member's modified allowance. If beneficiary pre-deceases the member the allowance pops up to the unmodified amount.

[3]Does not include formerly disabled members.

[4]As of the June 30, 2004 population report the longevity bonus is included in the unmodified allowance.

Table 9 Principal Participating Defined Benefit and Defined Benefit Supplement Employers for Current Year and Nine Years Ago

2014–2015			
Rank	**Participating Employers**	***Covered Employees**	**Percentage of Total System**
1	Los Angeles Unified School District	38,454	7.86%
2	San Diego Unified School District	8,600	1.76
3	Fresno Unified School District	5,389	1.10
4	Long Beach Unified School District	5,187	1.06
5	San Francisco Unified School District	5,009	1.02
6	Elk Grove Unified School District	4,062	0.83
7	San Bernardino City Unified School District	3,636	0.74
8	Corona-Norco Unified School District	3,325	0.68
9	Santa Ana Unified School District	3,313	0.68
10	Oakland Unified School District	3,128	0.64
11	Los Angeles Community College District	2,992	0.61
12	Capistrano Unified School District	2,926	0.60
	Top 12 Total	86,021	17.58
	All Other	403,374	82.42
	Total Covered Employees	**489,395**	**100.00%**

*Covered employees are calculated as all employees for whom an employer reports service credit during the fiscal year. Covered employees in this table are counted more than once if they are reported by multiple employers. They are also counted if their employer reports service credit for a retired employee from prior fiscal years. Therefore, the total number of covered employees in this table is higher than the number of active members shown in Table 10 on page 116 of the Actuarial section.

2005–2006			
Rank	**Participating Employers**	**Covered Employees**	**Percentage of Total System**
1	Los Angeles Unified School District	50,614	9.75%
2	San Diego Unified School District	10,858	2.09
3	Long Beach Unified School District	6,804	1.31
4	Fresno Unified School District	5,773	1.11
5	San Bernardino City Unified School District	4,448	0.86
6	San Francisco Unified School District	4,308	0.83
7	Elk Grove Unified School District	4,182	0.81
8	Sacramento City Unified School District	3,841	0.74
9	Oakland Unified School District	3,781	0.73
10	San Juan Unified School District	3,755	0.72
	Top 10 Total	98,364	19.21
	All Other	420,950	80.79
	Total Covered Employees	**519,314**	**100.00%**

Table 10 Average Allowance Purchasing Power for Fiscal Year 2014–15

Calendar Year of Benefit Effective Date	CCPI Increases Since Benefit Effective Date	Average Allowance Increases Since Benefit Effective Date	Average Purchasing Power of Current Allowance	Average Increase Needed to Restore Full Purchasing Power	Average Annual Supplemental Increase
(1)	(2)	(3)	(4)	(5)	(6)
Prior to 1956	852.6%	314.1%	43.5%	130.0%	$3,374
1956	834.4%	289.7%	41.7%	139.8%	$4,207
1957	803.4%	199.7%	33.2%	201.4%	$4,492
1958	no retiree with benefit effective date in calendar year 1958				
1959	759.0%	176.5%	32.2%	210.7%	$6,122
1960	741.3%	133.0%	27.7%	261.1%	$7,087
1961	729.9%	131.6%	27.9%	258.3%	$5,119
1962	716.0%	120.6%	27.0%	269.9%	$8,500
1963	710.6%	136.8%	29.2%	242.3%	$4,741
1964	694.8%	108.6%	26.2%	281.0%	$7,042
1965	674.7%	102.0%	26.1%	283.5%	$5,908
1966	662.7%	114.1%	28.1%	256.2%	$5,605
1967	644.1%	111.3%	28.4%	252.2%	$6,982
1968	613.7%	108.2%	29.2%	242.8%	$7,824
1969	580.0%	110.0%	30.9%	223.8%	$8,094
1970	545.9%	98.4%	30.7%	225.6%	$8,309
1971	521.4%	102.6%	32.6%	206.7%	$7,339
1972	504.5%	94.7%	32.2%	210.5%	$12,329
1973	473.3%	94.6%	33.9%	194.6%	$13,773
1974	419.8%	86.6%	35.9%	178.6%	$11,956
1975	370.8%	84.3%	39.1%	155.5%	$11,275
1976	343.5%	80.1%	40.6%	146.3%	$10,835
1977	311.4%	77.2%	43.1%	132.2%	$10,719
1978	279.0%	75.2%	46.2%	116.3%	$9,915
1979	244.8%	71.9%	49.8%	100.6%	$9,072
1980	193.9%	69.4%	57.6%	73.5%	$6,606
1981	171.7%	66.8%	61.4%	62.9%	$5,781
1982	148.5%	64.7%	66.3%	50.9%	$4,752
1983	147.0%	62.6%	65.8%	51.9%	$5,302
1984	136.3%	60.5%	67.9%	47.2%	$4,901
1985	125.8%	57.7%	69.8%	43.2%	$4,542
1986	118.2%	55.4%	71.2%	40.4%	$4,420

Explanation of source and/or calculation of data in columns 3, 4 and 5:

Column 3—Increases from all sources as a percentage of initial allowance. Obtained by dividing total current allowance by total initial allowance and adjusting to a percentage.

Column 4—Purchasing Power as of June 2013. Obtained by dividing total current allowance payable by full CCPI adjusted allowance. Based on totals for all benefit types by calendar year of effective date.

Column 5—Percentage increase in current allowance payable required to restore full 100 percent purchasing power as of June 2013. Obtained by dividing the fully adjusted CCPI allowance factor (column 2) by the percentage increase to date (column 3) and adjusting to a percentage.

Example: (841.3 + 100) / (309.3 + 100) = 2.300 x 100 = 230.0 – 100 = 130.0 percent.

Table 10 Average Allowance Purchasing Power for Fiscal Year 2014–15 (Continued)

Calendar Year of Benefit Effective Date	CCPI Increases Since Benefit Effective Date	Average Allowance Increases Since Benefit Effective Date	Average Purchasing Power of Current Allowance	Average Increase Needed to Restore Full Purchasing Power	Average Annual Supplemental Increase
(1)	(2)	(3)	(4)	(5)	(6)
1987	110.5%	53.6%	73.0%	37.0%	$4,125
1988	101.2%	51.3%	75.2%	33.0%	$3,444
1989	91.0%	49.8%	78.4%	27.5%	$2,310
1990	82.3%	47.8%	81.1%	23.3%	$1,407
1991	74.7%	47.1%	84.2%	18.8%	$310
1992	68.6%	44.9%	85.9%	16.4%	—
1993	64.4%	42.8%	86.9%	15.1%	—
1994	62.4%	41.1%	86.9%	15.1%	—
1995	58.8%	39.0%	87.6%	14.2%	—
1996	56.3%	36.9%	87.6%	14.2%	—
1997	53.0%	35.0%	88.2%	13.3%	—
1998	49.6%	33.3%	89.1%	12.2%	—
1999	45.9%	30.6%	89.5%	11.7%	—
2000	40.7%	28.7%	91.4%	9.3%	—
2001	33.6%	28.1%	95.9%	4.3%	—
2002	31.7%	25.8%	95.5%	4.7%	—
2003	28.9%	23.7%	95.9%	4.2%	—
2004	25.0%	21.3%	97.1%	3.1%	—
2005	21.6%	19.2%	98.0%	2.0%	—
2006	16.1%	17.0%	100.8%	-0.8%	—
2007	12.6%	14.7%	101.9%	-1.8%	—
2008	7.2%	12.6%	105.1%	-4.8%	—
2009	8.8%	10.5%	101.5%	-1.5%	—
2010	7.8%	8.2%	100.4%	-0.4%	—
2011	4.9%	6.2%	101.2%	-1.2%	—
2012	3.0%	3.9%	100.9%	-0.9%	—
2013	1.2%	1.9%	100.7%	-0.7%	—
2014	-1.0%	0.0%	101.0%	-1.0%	—

Explanation of source and/or calculation of data in columns 3, 4 and 5:

Column 3—Increases from all sources as a percentage of initial allowance. Obtained by dividing total current allowance by total initial allowance and adjusting to a percentage.

Column 4—Purchasing Power as of June 2014. Obtained by dividing total current allowance payable by full CCPI adjusted allowance. Based on totals for all benefit types by calendar year of effective date.

Column 5—Percentage increase in current allowance payable required to restore full 100 percent purchasing power as of June 2014. Obtained by dividing the fully adjusted CCPI allowance factor (column 2) by the percentage increase to date (column 3) and adjusting to a percentage.

Example: (852.6 + 100) / (314.1 + 100) = 2.300 x 100 = 230.0 – 100 = 130.0 percent.

Table 11 Restoration of Allowance Purchasing Power Through Supplemental Benefit Payments

Retirees' Purchasing Power Protection Account Payments

				Income Source		
Year	Purchasing Power	Count	Total $ Paid	School Lands	Investment Earnings	General Fund
83–84	58.40%	35,654	$21,394,183	$n/a	$894,183	$20,500,000
84–85	62.40%	57,189	54,306,976	10,119,124	2,426,456	41,761,396
85–86	65.50%	56,811	85,675,243	7,770,757	3,994,458	73,910,028
86–87	68.20%	57,343	122,275,289	4,167,970	5,511,448	112,595,871
87–88	68.20%	59,092	128,231,357	6,083,374	5,317,456	116,830,527
88–89	68.20%	58,037	143,061,285	4,479,266	5,956,019	132,626,000
89–90	68.20%	55,971	158,274,048	2,751,075	n/a	155,522,973[1]

Supplemental Benefit Payments

				Income Source		
Year	Purchasing Power	Count	Total $ Paid	School Lands	Teachers' Retirement Fund	SBMA
90–91	68.20%	52,199	$168,922,827	$2,964,211	$111,103,596	$54,855,020
91–92	68.20%	48,650	178,057,887	2,913,338	56,985,521	118,159,028
92–93	68.20%	54,029	184,551,442	6,658,800	—	177,892,642
93–94	68.20%	49,113	178,886,980	4,225,808	—	174,661,172
94–95	68.20%	46,459	168,359,918	4,973,687	—	163,386,231
95–96	68.20%	41,703	168,517,183	1,171,779	—	167,345,404
96–97	68.20%	38,939	159,786,521	1,870,825	—	157,915,696
97–98	68.2%[2]/75.0%	44,887	179,308,000	2,586,920	—	176,721,080
98–99	75.00%	42,624	197,860,324	4,168,363	—	193,691,961
99–00	75.00%	41,048	190,478,334	2,704,171	—	187,774,163
00–01	75.00%	44,699	189,388,495	4,023,007	—	185,365,488
01–02[3]	80.00%	60,428	256,976,205	7,967,992	—	249,008,212
02–03	80.00%	58,591	233,814,578	3,543,362	—	230,271,216
03–04	80.00%	55,779	223,501,415	2,922,844	—	220,578,571
04–05	80.00%	57,079	221,271,471	3,318,095	—	217,953,375
05–06	80.00%	54,360	215,257,813	4,301,959	—	210,955,854
06–07	80.00%	56,002	230,336,755	6,205,860	—	224,130,894
07–08	80.00%	53,122	229,860,350	6,522,856	—	223,337,493
08–09	85.00%[4]	89,142	348,105,380	7,036,201	—	341,069,179
09–10	85.00%	63,949	272,579,523	6,334,670	—	266,244,852
10–11	85.00%	53,870	237,572,962	1,929,606	—	235,643,356
11–12	85.00%	57,337	234,612,294	5,227,046	—	229,385,248
12–13	85.00%	54,847	221,451,056	10,277,064	—	211,173,992
13–14	85.00%	50,331	202,231,779	10,297,864	—	191,933,914
14–15	85.00%	52,474	192,831,168	4,386,099	—	188,445,068

[1]The 89-90 appropriation was from the Teachers' Retirement Fund. This amount plus regular interest was repaid from General Fund contributions to the SBMA.
[2]Percentage changed to 75% effective 1/1/98 and payable 4/1/98 (Chapter 939, Statutes of 1997).
[3]Percentage changed to 80% effective 1/1/2002 and payable 10/1/2001 (Chapter 840, Statutes of 2001).
[4]Percentage changed to 85% effective 9/30/2008 and payable 10/1/2008 (Chapter 751, Statutes of 2008).

Table 1 Members Retired for Service During Fiscal Year 2014–15[1], Classified by Age and Option Elected

		Regular Annuity				Period Certain							
Age	**Total**	**Single Life with Cash**	**100% Joint and Survivor**	**75% Joint and Survivor**	**50% Joint and Survivor**	**10 Years**	**9 Years**	**8 Years**	**7 Years**	**6 Years**	**5 Years**	**4 Years**	**3 Years**
Under 55	12	3	1	1	1	3	1	0	0	0	0	0	2
55	273	103	35	1	5	55	5	0	6	1	29	8	25
56	144	39	18	1	4	25	1	2	1	4	30	3	16
57	193	44	28	6	8	40	3	5	2	3	22	8	24
58	238	56	27	4	11	48	1	2	13	10	33	12	21
59	385	88	38	9	21	71	9	4	11	17	67	9	41
60	584	120	72	15	35	136	12	5	6	19	92	15	57
61	915	198	155	21	46	193	19	19	15	13	122	46	68
62	868	200	131	22	35	166	14	23	19	23	109	29	97
63	686	172	99	22	40	115	8	3	31	19	73	22	82
64	463	132	60	15	26	86	8	4	8	16	52	11	45
65	514	151	59	18	31	110	3	1	2	6	79	14	40
66	327	87	43	8	30	59	3	2	4	3	51	10	27
67	267	74	34	7	13	69	3	1	3	4	33	1	25
68	200	65	27	6	7	45	0	2	4	2	20	9	13
69	132	43	14	5	7	29	2	2	6	4	12	1	7
70	102	30	13	3	5	20	2	1	3	2	12	3	8
71	71	20	7	1	7	14	1	0	0	1	7	1	12
72	52	16	4	1	0	14	1	1	1	1	7	1	5
73	33	7	7	0	2	11	0	0	1	0	2	1	2
74	21	8	1	1	0	6	1	0	0	0	3	0	1
75 and over	76	22	9	4	2	12	1	0	3	2	9	4	8
Age Unknown	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	**6,556**	**1,678**	**882**	**171**	**336**	**1,327**	**98**	**77**	**139**	**150**	**864**	**208**	**626**

[1]Does not include formerly disabled members.

Table 2 Characteristics of All Members Retired for Service and Receiving an Annuity

Fiscal Year Ending June 30	Count	Average Monthly Retirement Annuity	Average Accumulated Credits[1]	Average Age at Retirement
2006	9,153	$138	$5,257	61.3
2007	13,299	158	6,379	61.4
2008	17,517	176	7,636	61.4
2009	22,474	203	9,019	61.6
2010	29,261	227	10,651	61.7
2011	34,917	241	12,004	61.9
2012	40,493	250	13,133	62.0
2013	45,110	254	14,088	62.1
2014	48,745	255	14,848	62.2
2015	52,335	259	15,659	62.3

[1]Neither service credit nor final compensation are factors in determining a benefit from the Defined Benefit Supplement Program and therefore are not included in this table.

Table 3 Characteristics of All Members Retired for Disability and Receiving an Annuity

Fiscal Year Ending June 30	Count	Average Monthly Disability Annuity	Average Accumulated Credits[1]	Average Age at Retirement
2006	76	$106	$3,335	55.8
2007	125	121	4,367	55.6
2008	175	129	5,332	55.2
2009	236	163	6,308	54.8
2010	336	201	7,673	55.6
2011	575	239	9,436	55.4
2012	747	239	10,404	55.5
2013	977	244	11,495	55.6
2014	1,123	239	12,407	55.8
2015	1,263	244	13,236	55.6

[1]Neither service credit nor final compensation are factors in determining a benefit from the Defined Benefit Supplement Program and therefore are not included in this table.

Table 4 Retired Members by Type of Benefit and Option Selected
(as of June 30, 2015)

	Monthly Unmodified Allowance					
Type of Benefit	**Less than $250**	**$250 - 500**	**$500 - 750**	**$750 - 1,000**	**$1,000 & Greater**	**Total**
Retirement	33,085	13,393	4,045	1,131	681	52,335
Disability	859	280	92	19	13	1,263
Survivors	775	239	82	29	19	1,144
Total	**34,719**	**13,912**	**4,219**	**1,179**	**713**	**54,742**
Type of Payment						
Regular Annuity						
Single Life Without Cash	1,088	1	—	—	—	1,089
Single Life With Cash	15,282	1,603	150	27	6	17,068
100% J&S	8,579	1,224	136	22	14	9,975
75% J&S	1,157	202	27	5	2	1,393
50% J&S	2,710	407	55	12	3	3,187
Period Certain Annuity						
10 Year	4,680	5,390	688	161	97	11,016
9 Year	250	444	69	12	12	787
8 Year	112	350	52	11	8	533
7 Year	123	611	138	33	18	923
6 Year	90	576	214	28	19	927
5 Year	410	2,493	1,642	308	182	5,035
4 Year	57	228	372	95	48	800
3 Year	181	383	676	465	304	2,009
Total	**34,719**	**13,912**	**4,219**	**1,179**	**713**	**54,742**

Table 1 Participants Retired for Service During the 2014–15 Fiscal Year[1] Classified by Age and Type of Annuity Selected

		Regular Annuity				Period Certain Annuity							
Age	Total	Participant Only[2]	100% Beneficiary[3]	75% Beneficiary[4]	50% Beneficiary[5]	10 Years	9 Years	8 Years	7 Years	6 Years	5 Years	4 Years	3 Years
Under 55	0												
55	2	1											1
56	0												
57	1												1
58	2	1						1					
59	0												
60	2	1									1		
61	4	1	2									1	
62	2	2											
63	1												1
64	3	2				1							
65	4	2	1			1							
66	6	3	2			1							
67	2	1	1										
68	1	1											
69	1	1											
70	10	3	2	1		1							3
71	5	1				1						2	1
72	2		1		1								
73	0												
74	0												
75	0												
Over 75	3	3											
Total	**51**	**23**	**9**	**1**	**1**	**5**	**—**	**1**	**—**	**—**	**1**	**3**	**7**

[1]Does not include formerly disabled members.

[2]Formerly known as the Single Life Annuity with Cash Refund.

[3]Formerly known as the 100% Joint and Survivor Annuity.

[4]New option available for selection effective January 1, 2007.

[5]Formerly known as the 50% Joint and Survivor Annuity.

Table 2 Characteristics of All Members Retired for Service and Receiving an Annuity

Fiscal Year Ending June 30	Average Age At Retirement	Average Annuitant Reserve	Average Monthly Annuity
2006	67.5[1]	$11,596	$185
2007	66.9	10,892	183
2008	67.2	12,400	206
2009	67.3	13,054	201
2010	68.1	12,701	204
2011	67.8	13,388	215
2012	67.7	15,945	233
2013	67.1	18,442	263
2014	67.5	20,365	281
2015	67.6	20,815	251

[1]Revised 2007.

Table 3 All Participants Receiving an Annuity by Type of Benefit and Type of Annuity Selected

	Monthly Unmodified Allowance					
Type of Benefit	**Less than $250**	**$250–500**	**$500–750**	**$750–1,000**	**$1,000 & Greater**	**Total**
Retirement	130	34	15	7	3	189
Disability	0	1	0	0	1	2
Survivors	4	3	0	1	1	9
Total	**134**	**38**	**15**	**8**	**5**	**200**
Type of Payment						
Regular Annuity						
Single Life With Cash	2					2
Single Life Without Cash	2					2
Participant Only	60	10	3	1	1	75
100% Beneficiary Annuity	20	2		1		23
75% Beneficiary Annuity	1					1
50% Beneficiary Annuity	4	2				6
Period-Certain Annuity						
10 Year	23	7	3			33
9 Year	1	1				2
8 Year	1	1				2
7 Year	1	2				3
6 Year		2	1			3
5 Year	8	5	3	2	1	19
4 Year	2		1	2	1	6
3 Year	9	6	4	2	2	23
Total	**134**	**38**	**15**	**8**	**5**	**200**

Table 4 Principal Participating Employers for the Cash Balance Benefit Program, Current Year and Nine Years Ago

2014–2015

Rank	Participating Employers	*Covered Employees	Percentage of Total System
1	Los Angeles Community College District	5,030	13.40%
2	Contra Costa Community College District	2,508	6.68
3	Peralta Community College District	2,338	6.23
4	West Contra Costa Unified	2,129	5.67
5	City College Of San Francisco	1,961	5.22
6	San Jose/Evergreen Community College District	1,871	4.98
7	Chabot-Las Positas Community College District	1,762	4.69
8	Foothill De Anza Community College District	1,655	4.41
9	Glendale Community College District	1,516	4.04
10	Santa Rosa Junior College	1,497	3.99
	Top 10 Total	22,267	59.31
	All Other	15,275	40.69
	Total Covered Employees	**37,542**	**100.00%**

*Covered employees are calculated as all employees for whom an employer reports service credit during the fiscal year. Covered employees in this table are counted more than once if they are reported by multiple employers. They are also counted if their employer reports service credit for a retired employee from prior fiscal years.

2005–2006

Rank	Participating Employers	Covered Employees	Percentage of Total System
1	Los Angeles Community College District	2,144	8.87%
2	Contra Costa Community College District	1,842	7.62
3	West Contra Costa Unified	1,714	7.09
4	City College Of San Francisco	1,646	6.81
5	Peralta Community College District	1,645	6.81
6	Chabot-Las Positas Community College District	1,512	6.26
7	San Jose/Evergreen Community College District	1,287	5.32
8	Santa Rosa Junior College	1,117	4.62
9	Glendale Community College District	1,024	4.24
10	Foothill De Anza Community College District	966	4.00
	Top 10 Total	1,4897	61.63
	All Other	9,275	38.37
	Total Covered Employees	**24,172**	**100.00%**

PROGRAMS ADMINISTERED OR OVERSEEN BY THE RETIREMENT SYSTEM (PENSION2)

Table 1A Changes in Fiduciary Net Position for Pension2 IRC 403(b) Plan

(dollars in thousands)[2]

Fiscal Year Ending June 30	2015	2014	2013	2012	2011	2010	2009[2]	2008[2]	2007	2006
Additions										
Participant Contributions	$72,343	$66,545	$57,273	$53,111	$47,181	$53,536	$42,966	$26,289	$23,338	$21,509
Interest, Dividends and Investment Income	19,363	66,002	43,151	6,132	43,782	17,175	(28,479)	(12,569)	22,793	10,245
Other Income	91	179	269	188	225	—	—	17	16	—
Total Additions	**$91,797**	**$132,726**	**$100,693**	**$59,431**	**$91,188**	**$70,711**	**$14,487**	**$13,737**	**$46,147**	**$31,754**
Deductions										
Distributions and Withdrawals[1]	$32,648	$22,173	$25,727	$19,978	$16,690	$11,892	$8,644	$9,570	$8,451	$ —
Benefit Payments to Participant	—	—	—	—	—	—	—	—	—	2,286
Refunds of Participant Contributions	7,753	2,523	—	—	—	—	—	—	—	7,481
Administration Expenses	1,405	1,146	754	606	538	374	278	526	782	935
Total Deductions	**$41,806**	**$25,842**	**$26,481**	**$20,584**	**$17,228**	**$12,266**	**$8,922**	**$10,096**	**$9,233**	**$10,702**
Change in Fiduciary Net Position	**$49,991**	**$106,884**	**$74,212**	**$38,847**	**$73,960**	**$58,445**	**$5,565**	**$3,641**	**$36,914**	**$21,052**

[1]Distributions and Withdrawals reflects the Benefit Payments to Participant and Refunds of Participant Contributions combined for fiscal year 2006/07 and thereafter.

[2]Certain reclassifications have been made to the totals for fiscal years 2007/2008 and 2008/2009.

Table 1B Changes in Fiduciary Net Position for Pension2 IRC 457 Plan

(dollars in thousands)

Fiscal Year Ending June 30	2015	2014	2013	2012	2011	2010	2009
Additions							
Participant Contributions	$4,096	$3,230	$2,591	$6,877	$1,289	$674	$37
Interest, Dividends and Investment Income	547	1,934	1,081	219	155	60	1
Other Income	2	51	37	37	42	—	—
Total Additions	**$4,645**	**$5,215**	**$3,709**	**$7,133**	**$1,486**	**$734**	**$38**
Deductions							
Distributions and Withdrawals	$807	$358	$530	$19	$82	$ —	$ —
Benefit Payments to Participant	—	—	—	—	—	—	—
Refunds of Participant Contributions	—	45	—	—	—	—	—
Administration Expenses	47	36	22	8	2	—	—
Total Deductions	**$854**	**$439**	**$552**	**$27**	**$84**	**$ —**	**$ —**
Change in Fiduciary Net Position	**$3,791**	**$4,776**	**$3,157**	**$7,106**	**$1,402**	**$734**	**$38**

The Pension2 IRC 457 Plan began in fiscal year 2008–09.

Table 2 Largest Participating Employers for CalSTRS Pension2, Current Year and Nine Years Ago[1]

2015			
Rank	**Participating Employers**	**Covered Employees**	**Percentage**
1	Los Angeles Unified School District	2,101	17.05%
2	San Diego City Unified School District	269	2.18
3	Los Angeles Community College District	268	3.17
4	Fremont Unified School District	196	1.60
5	San Francisco Unified School District	172	1.40
6	City College of San Francisco	153	1.24
7	Long Beach Unified School District	138	1.12
8	Elk Grove Unified School District	130	1.05
9	Sacramento City Unified School District	126	1.02
10	San Juan Unified School District	108	0.88
	Top 10 Total	3,661	29.70
	All Other	8,662	70.30
	Total (867 Employers)*	**12,323**	**100.00%**

2006			
Rank	**Participating Employers**	**Covered Employees**	**Percentage**
1	Los Angeles Unified School District	525	14.47%
2	San Diego City Unified School District	65	1.79
3	San Francisco Unified School District	44	1.21
4	Long Beach Unified School District	43	1.18
5	Sacramento City Unified School District	42	1.16
6	Capistrano Unified School District	37	1.02
7	Fresno Unified School District	33	0.91
8	Mt. Diablo Unified School District	31	0.85
9	San Juan Unified School District	29	0.80
10	Orange Unified School District	28	0.77
	All Other	2,752	75.83
	Total (745 employers)	**3,872**	**100.00%**

[1]Due to change in record keeper, data is only available since 2006.

* If Employer offers 403 & 457 they are counted twice.

MEDICARE PREMIUM PAYMENT PROGRAM

Table 1 Changes in Fiduciary Net Position
(dollars in thousands)

Fiscal Year Ending June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Additions										
Employer Contributions	$30,527	$33,395	$35,022	$34,614	$36,145	$31,749	$29,962	$33,239	$32,257	$29,602
Interest, Dividends and Investment Income	—	10	6	8	10	33	106	205	240	143
Total Additions	**$30,527**	**$33,405**	**$35,028**	**$34,622**	**$36,155**	**$31,782**	**$30,068**	**$33,444**	**$32,497**	**$29,745**
Deductions										
Premiums Paid	$30,615	$32,632	$34,702	$34,412	$35,785	$35,421	$29,415	$32,689	$31,270	$29,313
Administration Expenses	360	327	340	370	345	309	316	334	190	359
Total Deductions	**$30,975**	**$32,959**	**$35,042**	**$34,782**	**$36,130**	**$35,730**	**$29,731**	**$33,023**	**$31,460**	**$29,672**
Change in Fiduciary Net Position	**($448)**	**$446**	**($14)**	**($160)**	**$25**	**($3,948)**	**$337**	**$421**	**$1,037**	**$73**

Table 2 Benefit and Refund Deductions from Net Position by Type
(dollars in thousands)

Fiscal Year Ending June 30	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Type of Benefit										
Age & Service Benefits										
Retired Members	$30,615	$32,632	$34,702	$34,412	$35,785	$35,421	$29,415	$32,689	$31,270	$29,313
Total Benefits	**$30,615**	**$32,632**	**$34,702**	**$34,412**	**$35,785**	**$35,421**	**$29,415**	**$32,689**	**$31,270**	**$29,313**

Table 3 Retired Members Enrolled in Medicare Premium Payment Program During Fiscal Year 2014–15 Classified by Age at Retirement

Age	Total
<55	4
55–56	16
56–57	11
57–58	9
58–59	22
59–60	20
60–61	34
61–62	34
62–63	25
63–64	2
64–65	—
65–66	1
66–67	—
67–68	—
68–69	—
69–70	—
70–71	—
71–72	—
72–73	—
73–74	—
74–75	—
>=75	—
Grand Total	**178**

Table 4 Characteristics of All Retired Members Enrolled in Medicare Premium Payment Program

Fiscal Year Ending June 30	Average Age at Retirement	Average Monthly Medicare Premium
2006	60.4	368
2007	60.4	394
2008	60.4	414
2009	60.3	464
2010	60.3	438
2011	60.3	431
2012	60.3	417
2013	60.3	413
2014	60.3	400
2015	60.2	383

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