

## CalSTRS Fundamentals

### CalSTRS Facts

#### Defined Benefit Program

The State of California is the plan sponsor for the CalSTRS Defined Benefit Program, which was established in 1913. The program promises to pay a fixed monthly benefit to qualified members at retirement based on a formula set by California law.

#### Fund Participants

- State of California
- 1,600 school districts, county offices of education, community college districts
- 441,544 Active Members
- 166,976 Inactive Members
- 243,796 Retirees and Beneficiaries

#### Benefit Structure

- 5-year vesting
- 2 percent at age 60 for each year of service
- Formula based on highest one-year salary with 25 years or more of service, three years otherwise
- Average benefit for a recently retired career educator replaces about 60 percent of final salary
- No Social Security
- Survivor and disability benefits
- Annual benefit adjustment set at a flat rate of 2 percent of initial benefit
- 0.2 percent career factor
- 85 percent purchasing power protection
- Median retirement age: 61 years
- Median service at retirement: 28 years

#### Valuation

- June 30, 2010 funding status: 71 percent
- June 30, 2010 unfunded liability: \$56 billion
- Portfolio value June 30, 2010: \$129.7 billion
- Benefits paid FY 09-10: \$9.4 billion

#### Benefit Formula (Sample)

$$\text{Service Credit} \times \text{Age Factor} \times \text{Final Compensation} = \text{Retirement Benefit}$$

Service credit	30 years
Age factor (2% for age 60)	x .02
Final compensation	x \$6,000/month
<b>Monthly retirement benefit</b>	<b>= \$3,600</b>

# CalSTRS Money Matters

## Who pays for CalSTRS Defined Benefit Program?

Funding for CalSTRS retirement benefits is a shared responsibility with contributions from members, employers and the State of California together with investment earnings. Last fiscal year, \$9.4 billion was paid in benefits.

### Source for Each Benefit Dollar (for past 15 years)



## What are the contributions compared to other plans?

All contributions rates are set by statute. CalSTRS member contributions are among the lowest in the U.S. and have been the same for close to 40 years. School employer contributions have not increased since 1990. The state’s contribution for the Defined Benefit Program has dropped from 4.607 percent of payroll in 1998 to the current 2.017 percent of payroll.

- Members contribute 8 percent of their earnings.
- School employers contribute 8.25 percent of each member’s earnings.
- State of California contributes an amount equal to 2.017 percent of payroll for the Defined Benefit Program and 2.5 percent of payroll for purchasing power protection.

### CalSTRS Comparison with Other Pension Plans Percentage of Payroll

	Employee Social Security	Employee Defined Benefit	Employer Social Security	Employer Defined Benefit	State	TOTAL
CalPERS Classified School Employees (2010-11) <sup>1</sup>	6.20%	7.00%	6.20%	10.71%	N.A.	30.11%
Average Teacher Plan Not Covered by Social Security <sup>2</sup>	N.A.	9.12%	N.A.	14.79%	N.A.	23.92%
CalSTRS (2010-11)	N.A.	8.00%	N.A.	8.25%	1.86% <sup>3</sup>	18.11%

Sources/Notes: 1 CalPERS  
 2 CalSTRS staff research 2011  
 3 Current payroll rate is equivalent amount of 2.017% of fiscal year ending in prior calendar year