CALSTRS
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Fact Sheet

Public Pensions for California Educators: What Everyone Should Know

CalSTRS retirees receive a modest retirement benefit, usually after decades of public service

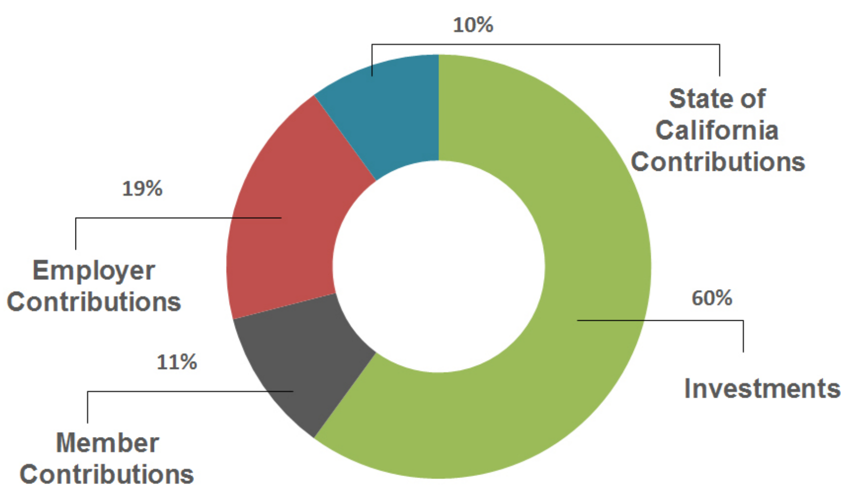
Teachers are paid modest salaries, making pensions an important driver of educator recruitment and retention. Pension benefit levels are set by state statute, and salaries are set by local school districts. CalSTRS members do not participate in Social Security.

The majority of CalSTRS members are teachers, and their compensation adheres to strict salary schedules, established through collective bargaining with local school districts. The average length of service for a CalSTRS member is 25.6 years, and as of June 2017, the average monthly benefit for new retirees was $4,475. Only about 4 percent of CalSTRS members, typically administrators with advanced degrees who average more than 40 years of service credit, receive a pension of more than $100,000 annually.

Paying for pensions: a shared responsibility

Teachers contribute about 10 percent of their salary and other creditable compensation toward their pension. These funds, along with payroll contributions from employers and from the State of California are invested by CalSTRS to provide the pension benefit upon retirement. Until 2014, when the Legislature enacted a **32-year funding plan** for CalSTRS, these contribution amounts had not been increased for **decades**. Scheduled contribution increases by members, employers and the state have been implemented since that time. Member contributions are capped at 10.25 percent of payroll for those hired prior to January 1, 2013. For members hired on or after that date, the contribution rate is currently 9.205 percent and may be adjusted based on changes in the normal cost of benefits.

CalSTRS Benefit Funding Sources



Note: Based on projected contribution rates derived in October 2017 and expected investment return of 7% each year.

CalSTRS has a reasonable plan design and a funding plan in place

Pensions that are properly funded and prudently invested over many years are sustainable. Due to the 2014 legislation, CalSTRS is on track toward full funding by 2046. Like a home mortgage, contributions to pay down the current unfunded liability are being paid over time (about 30 years beginning in 2014). This gap is due to the historic downturns in 2008-09 and the long unchanged contribution rates prior to the funding plan.

California educators' pensions are safe

Pension benefits are vested rights protected by the California and U.S Constitutions. The state is the ultimate guarantor for payment of the CalSTRS pension benefit.

Research shows defined benefit pensions best serve educators

UC Berkeley research shows California educators are better supported by the CalSTRS Defined Benefit Program versus a standalone cash balance or a 401(k)-style plan. In California, only 6 percent of educators leave their jobs before vesting at the five-year mark. Additionally, 86 percent of active CalSTRS members stay in their careers until at least age 51, which is when defined benefit pension amounts become greater than a 401(k). Similar research by **Boston College's Center for Retirement Research** found most employees do not maximize their 401(k) contributions, and the average employee contribution rate has been declining since 2007, leaving most 401(k) beneficiaries well short of the funds needed for retirement.

Eradicating pension spiking is a key priority

Spiking is the padding of compensation, generally in the final years of a career, to increase one's pension – and it is illegal. It's a rarity among CalSTRS members because teachers are typically paid from an established salary schedule that is set through a collective bargaining process. Overtime and most extra assignments, like coaching or teaching summer school, don't count toward a regular defined benefit pension. Instead, those payroll contributions go to a member's **Defined Benefit Supplement Program** account. Instances of spiking usually involve contracts negotiated between administrators and local school boards. CalSTRS regularly audits school districts and reviews compensation, carefully examining the salaries and contracts of highly compensated members to uncover pension spiking. CalSTRS can adjust compensation used to calculate a member's benefit if spiking is found.

The Public Employees' Pension Reform Act of 2013 placed a cap on how much compensation may be counted toward CalSTRS retirement benefits for members hired on or after January 1, 2013, which will eventually eliminate the possibility of pension spiking. Additional information on pension spiking is available here: **https://www.calstrs.com/preventing-pension-spiking**.

About CalSTRS

The **California State Teachers' Retirement System**, with a portfolio valued at $231.5 billion as of January 31, 2018, is the largest educator-only pension fund in the world. CalSTRS serves California's more than 933,000 public school educators and their families from the state's 1,700 school districts, county offices of education and community college districts. A hybrid retirement system, CalSTRS administers a combined traditional defined benefit, cash balance and voluntary defined contribution plan. CalSTRS also provides disability and survivor benefits. CalSTRS members retire on average after more than 25 years of service, with a median retirement age of 62.9, and a monthly pension of approximately $4,475, which is not eligible for Social Security participation. For more data, download the **CalSTRS Fast Facts 2017** brochure.