CalSTRS Funding: Important Changes and Considerations for School Districts
CalSTRS Members by the Numbers
As of June 30, 2016

914,454 members and beneficiaries

1,700+ K–12 and community college employers

72% female active members

$1.1 billion per month in benefit payments
CalSTRS Members by the Numbers
As of June 30, 2016

- **62.8** median age at retirement
- **$3,884** average monthly benefit (288,195 recipients)
- **55.8%** median income replacement ratio
- **25.6** median years of service
Life Expectancy Rates: CalSTRS, CalPERS and Social Security
For a member retiring at age 62
Legislation
State Legislative Outlook

- Senate Bill 32: Post-PEPRA Pension Reform. Introduced by Senator John Moorlach (R-Orange County).

- Senate Bill 560: Climate Risk of pension investments by Senator Ben Allen (D-Los Angeles)

- Assembly Bill 1597: Divestment from Turkish investments by Assembly Member Nazarian (D – San Fernando Valley)

- Assembly Bill 20: Divestment from Dakota Access Pipeline Project. Introduced by Assembly Member Ash Kalra (D-San Jose).

- Assembly Bill 946: Divestment from border wall construction companies. Introduced by Assembly Members Tiing (D-San Francisco) and Gonzalez-Fletcher (D-San Diego)
Public pensions in the courtroom – “California Rule” Marin case appealed to the California Supreme Court.
Delivering on Our Promise

Stable Benefit
CalSTRS
Trust
Cares
Retirement is Secure
Future Financial Security
Solid Financial Institution
Pledge
Respect
My Best Interest
Ethically
Transparency
Lestens
Relevant Topics
Educate Members
72% of Our Members Trust CalSTRS

Source: 2015 Annual Member Satisfaction Survey
20-Year Performance of CalSTRS Investment Returns

Actual Return

Assumed Rate of Return
An Investments Leader: CalSTRS Closely Monitors Asset Class Fees in Cost Disclosure
CalSTRS Funding Plan Implementation

Long-term, shared responsibility:

- CalSTRS members;
- Employers; and
- The State of California.

(32-Year Funding Plan, Assembly Bill 1469, Enacted July 2014)
Funding Levels

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>Funded Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2015</td>
<td>68.5%</td>
</tr>
<tr>
<td>June 30, 2016 - 7.25%</td>
<td>63.7%</td>
</tr>
<tr>
<td>June 30, 2016 - 7.00%</td>
<td>61.8%</td>
</tr>
</tbody>
</table>
CalSTRS Projected Funded Status
(Based on June 30, 2016 Valuation)
(Reflecting CalSTRS Board Decision to Lower Investment Return to 7%)

Funding Plan

Current Projection (Reflecting Rate Setting Authority Provided by the Board of Administration)
## Projected Member Contribution Rate

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2% at 60 Member Contribution Rate</th>
<th>2% at 62 Member Contribution Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-17</td>
<td>10.25%</td>
<td>9.205%</td>
</tr>
<tr>
<td>2017-18</td>
<td>10.25%</td>
<td>9.205%</td>
</tr>
<tr>
<td>2018-19</td>
<td>10.25% (Projected to Increase by 1%)</td>
<td>10.205%</td>
</tr>
</tbody>
</table>
How Much Money Do You Think You Will Need for Retirement?
Amount of Retirement Savings Americans Think They Need

- Don’t know: 8%
- Less than $250,000: 25%
- $250,000–$499,999: 19%
- $500,000–$999,999: 25%
- $1,000,000–$1,499,999: 10%
- More than $1,500,000: 11%

Source: EBRI, 2015 Retirement Confidence Survey
And Reality Hits … Average 401(k) Balances

<table>
<thead>
<tr>
<th>Age of Participants</th>
<th>Average Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 25</td>
<td>$4,048</td>
</tr>
<tr>
<td>25–34</td>
<td>$22,187</td>
</tr>
<tr>
<td>35–44</td>
<td>$60,528</td>
</tr>
<tr>
<td>45–54</td>
<td>$116,192</td>
</tr>
<tr>
<td>55–64</td>
<td>$177,805</td>
</tr>
<tr>
<td>65+</td>
<td>$200,358</td>
</tr>
</tbody>
</table>

Source: Vanguard, *How America Saves 2016*
Women in Retirement

- Women aged 75–79 are three times as likely to live in poverty, compared to men.
- Women 80% more likely to face financial hardship in retirement.
- Women in education, health care and public service have higher incomes and lower rates of poverty, due to DB pensions.
Think Your Retirement Plan Is Bad? Talk to a Teacher

Schoolteachers and others who pursue careers of service in exchange for modest paychecks get lightly regulated retirement plans that often charge excessive fees.

By TARA SIEGEL BERNARD  OCT. 21, 2016
Be Aware of Investment Fees:
The $10,000 Difference from Paying 1% Less

Paying 1% less in fees could mean $10,000 more in your account in 30 years.

For both accounts: You invest $10,000 for 30 years, make no contributions and earn an average of 5 percent.
• Defined Contribution savings plan (Participation is voluntary).

• Low cost and flexible 403(b), Roth 403(b), 457(b) options.

• Tax-deferred now, or tax-free income later…
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Thank You!