The Path Forward
Our Mission

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

Our Vision

Your Reward—
a secure retirement

Our Reward—
getting you there
CalSTRS members by the numbers

975,993 members and beneficiaries
11,332 increase over last year

1,788 employers

72% female active members
Retired members by the numbers (all retirees)

- Average age at retirement: 61.7
- Average years of service: 25.5
- Average current allowance payable: $4,321 (276,070 recipients)
- Median income replacement ratio: 56%
Retirement preparedness – supplemental savings can address income gap

On average, your CalSTRS DB pension replaces approx. 50% of your working salary.

Enrolling in voluntary supplemental savings plans can help bridge your income gap once you reach retirement.

Starting early in your career helps maximize interest over time.
Visit CalSTRS.com/Pension2

- Defined contribution savings plan (participation is voluntary).
- Low cost and flexible 403(b), Roth 403(b), 457(b) options.
  - Includes two options for sustainability focused investment choices.
- Tax-deferred now, or tax-free income later…
CalSTRS educates members on the importance of retirement preparedness

Members share in responsibility to understand their benefits.

Starting early in your career can help maximize savings.

CalSTRS members are living longer in retirement.

Need to account for inflation in planning.
Last year:

41,524 members attended a workshop, individual or group benefits planning session.

8,374 front counter contacts.

4,000+ telephone benefits planning sessions.

CalSTRS Retirement Readiness Workshops: My Retirement Series (MRS)
CalSTRS active member population
As of June 30, 2020

Projected annual growth of 10,000–15,000 PEPRA members over the next 4–5 years.

319,787
71%

128,632
29%

2% at 62 formula

2% at 60 formula
CalSTRS retired members who are over 100 years old
As of June 30, 2020

410
CalSTRS retired members over 100 years old

352 females
58 males

22.3 average years of service credit
9,124 total years of service credit

109 age of oldest retired member
Two-year comparison of retirements, by month

- Jan-March: -4%
- April-June: -3%
- July-Sept: +26%
- Oct-Dec: +26%
Why did you retire early?

Did you decide to retire earlier than planned?

- Yes
- No

What contributed to your decision to retire earlier?

- Did not want to return to classroom teaching
- Employer offered incentive to retire
- Health related (self or family)
- Other, please specify
- Did not want to risk exposure to COVID-19
- Did not want to continue working remotely
- Challenges teaching during COVID-19
Life expectancy rates: CalSTRS, CalPERS and Social Security
For a member retiring at age 62
The Retirement Landscape
Two-thirds of Americans say the nation faces a retirement crisis

67% agree

Strongly agree, 30%
Somewhat agree, 37%
Somewhat disagree, 13%
Don’t know, 17%
Strongly disagree, 3%

Source: NIRS, Retirement Insecurity 2021: Americans' Views of Retirement
Even across party lines, Americans agree the nation faces a retirement crisis:

- **70%** Democrats
- **62%** Republicans
- **70%** Independents

Source: NIRS, Retirement Insecurity 2021: Americans Views of Retirement
Retirement preparation is stressful

61%

Agree preparing for retirement makes them feel stressed

Source: EBRI/Greenwald 2020 Retirement Confidence Survey
COVID-19 and Americans’ retirement confidence

More than half are concerned that COVID-19 has impacted their ability to achieve a secure retirement.

Of those who expect their plans to change as a result of COVID-19, over 2/3 expect to retire later.

Source: NIRS, Retirement Insecurity 2021: Americans’ Views of Retirement
Nearly two-thirds of Americans expect to work past their normal retirement age for financial security

How likely is it that you will need to work past the normal retirement age to have enough money in retirement?

65% expect to work past retirement age

Source: NIRS, Retirement Insecurity 2021: Americans' Views of Retirement
Debt still a major obstacle to savings

6 in 10 workers say their level of debt is a problem—including 20% who say it is a major problem.

7 in 10 workers report non-mortgage debt has affected their ability to save for retirement.

Source: EBRI/Greenwald 2020 Retirement Confidence Survey
Workers not prepared for unexpected expenses
Percentage of workers with less than $1,000 saved

37% Baby Boomers
34% Gen X
37% Millennials
62% Gen Z

Source: 2020 PWC Employee Financial Wellness Survey
Wealth inequality within generations

The top 50 percent of Baby Boomers by net wealth own 97 percent of that generation’s financial assets.

Source: NIRS, 2019
Wealth inequality within generations

The top 50 percent of Baby Boomers by net wealth own 97 percent of that generation’s financial assets.

Top 5 percent own 52 percent.

A similar trend in financial assets is seen among younger generations.

Source: NIRS, 2019
Women and financial wellness

Among workers participating in retirement plans, women are less likely to say they feel financially well.

65% Men

43% Women

$100,000 Men

$30,000 Women

...and women have far less saved for retirement.

Median retirement savings

Source: Bank of America 2019 Workplace Benefits Report
Quiz

Median retirement savings account balance for U.S. workers: $0

Percentage of U.S. workers without any retirement account: 59%

Percentage of U.S. workers that fall short of the most conservative savings targets for people of their age and income: 77%
Sustainability for the Future
Funded status

As of June 30, 2019

66.0% funded

$286.9 billion investment assets as of February 28, 2021
CalSTRS Funding Plan

Historical and projected funded status
Comparing impact of funding plan

With funding plan
Without funding plan
### Risks to the funding plan

<table>
<thead>
<tr>
<th>Risk Type</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td><strong>Investment Risk</strong></td>
<td>Potential for lower returns and increased market volatility.</td>
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<tr>
<td><strong>Longevity Risk</strong></td>
<td>Members living longer in retirement.</td>
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<tr>
<td><strong>Membership and Payroll Growth Risk</strong></td>
<td>Affects incoming contributions if membership base declines.</td>
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</tbody>
</table>
Sources of benefit payments

- **$0.60** Investment Earnings
- **$0.18** Employer Contributions
- **$0.12** State Contributions
- **$0.10** Member Contributions
<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2010</th>
<th>2020</th>
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<tbody>
<tr>
<td></td>
<td>General Electric</td>
<td>ExxonMobil</td>
<td>Microsoft</td>
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<td>Intel</td>
<td>Apple</td>
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<td>Chevron</td>
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<td>vodafone</td>
<td>General Electric</td>
<td>Samsung</td>
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CalSTRS top 10 holdings
Global risks to portfolio

**Risks**

- Climate change
- Income inequality
- COVID-19 global pandemic
- Stock market volatility

**Positives**

- More government stimulus
- Social distancing
- Vaccine rollout
- Inflation in check
Sustainable Investment and Stewardship Strategies
9th Investment Belief

Investment risks associated with climate change and the related economic transition—physical, policy and technology driven—materially impact the value of CalSTRS’ investment portfolio.
What sustainability means to us

Allocate capital to investments that deliver financial performance while creating positive environmental, social and governance outcomes.
ESG factors: Sustainable investing

- Environmental
- Social
- Governance
Low Carbon Transition

Transition to a Low Carbon Economy

2014
- Signatory to the Global Investor Statement on Climate Change

2015
- Supported the Paris Pledge for Action to welcome Paris Agreement
- Participant in UN-led Business and Investor Working Group on Carbon Pricing

2016
- Created the low-carbon index to invest in public equity with significantly lower exposure to carbon emissions

2017
- Excluded global companies deriving 50% or more of revenue from sale of thermal coal

2019
- CalSTRS Investment Committee approves Low-Carbon Transition Plan

Sustainable Investment and Stewardship Strategies
### CalSTRS low-carbon investments by the numbers

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SISS Portfolio</td>
<td>$2.1 billion</td>
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<tr>
<td>Public Equity</td>
<td>$2.3 billion</td>
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<tr>
<td>Fixed Income</td>
<td>$286 million</td>
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<tr>
<td>Inflation-Sensitive</td>
<td>$505 million</td>
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<tr>
<td>Private Equity</td>
<td>$692 million</td>
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<tr>
<td>Real Estate</td>
<td>Nearly 90%</td>
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