

# 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

**72%**

**female**  
**active members**

**1,788**

**employers**

# Retired members by the numbers (all retirees)

**61.7**

average age at retirement

**25.5**

average years of service

**\$4,321**

average current allowance payable  
(276,070 recipients)

**56%**

median income  
replacement ratio

# 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](https://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

**4,000+**

telephone benefits  
planning sessions

**8,374**

front counter contacts

**3,287**

members attended  
125 *new* webinars  
April–June 2020

# CalSTRS Retirement Readiness Workshops: My Retirement Series (MRS)

**MY RETIREMENT SYSTEM WORKSHOP**

### Learn How to Make the Most of Your CalSTRS Membership

Looking for a quick way to learn the basics about your CalSTRS membership? Then the My Retirement System Workshop is for you.

**In this hour-and-a-half interactive workshop, you'll learn:**

- ▶ About your CalSTRS benefits and the resources available to you as a CalSTRS member.
- ▶ How we calculate your CalSTRS monthly retirement benefit.
- ▶ Why it pays to start a 403(b) or 457(b) supplemental savings plan sooner rather than later.
- ▶ The steps you can take now to increase your retirement benefit.
- ▶ And more.

For a more personalized understanding of the information covered, you're encouraged to bring your most recent Retirement Progress Report, which you can print from your myCalSTRS account. You're also encouraged to bring your questions.

**REGISTER TODAY.** We've made it easy. Simply go to:

[CalSTRS.com/workshops](https://CalSTRS.com/workshops) or call **800-228-5453** and select option 3

**MY RETIREMENT BENEFITS WORKSHOP**

### You're Helping Students Build Their Futures, Don't Forget About Yours

We get it. Planning for retirement is probably not at the top of your to-do list right now. That's why we created the My Retirement Benefits Workshop—to give you the information and tools you need now.

**In this hour-and-a-half interactive workshop, you'll learn:**

- ▶ How we calculate your CalSTRS monthly retirement benefit.
- ▶ About the gap between your CalSTRS benefit and your retirement income goal, and ways you can bridge it.
- ▶ The steps to take now to increase your retirement benefit.
- ▶ And more.

For a more personalized understanding of the information covered, you're encouraged to bring your most recent Retirement Progress Report, which you can print from your myCalSTRS account. You're also encouraged to bring your questions.

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**MY RETIREMENT DECISIONS WORKSHOP**

### Are You Counting Down to Retirement?

Learn about your retirement decisions and more by attending the My Retirement Decisions Workshop.

**In this hour-and-a-half interactive workshop, you'll learn:**

- ▶ How we calculate your CalSTRS monthly retirement benefit.
- ▶ The options you can choose if you want to provide a lifetime monthly benefit to your survivors—and how each option would affect your monthly benefit.
- ▶ Your choices for receiving the funds in your Defined Benefit Supplement account, if you have one.
- ▶ Ways to submit your Service Retirement Application.
- ▶ What you need to know if you return to work in the California public school system in retirement.

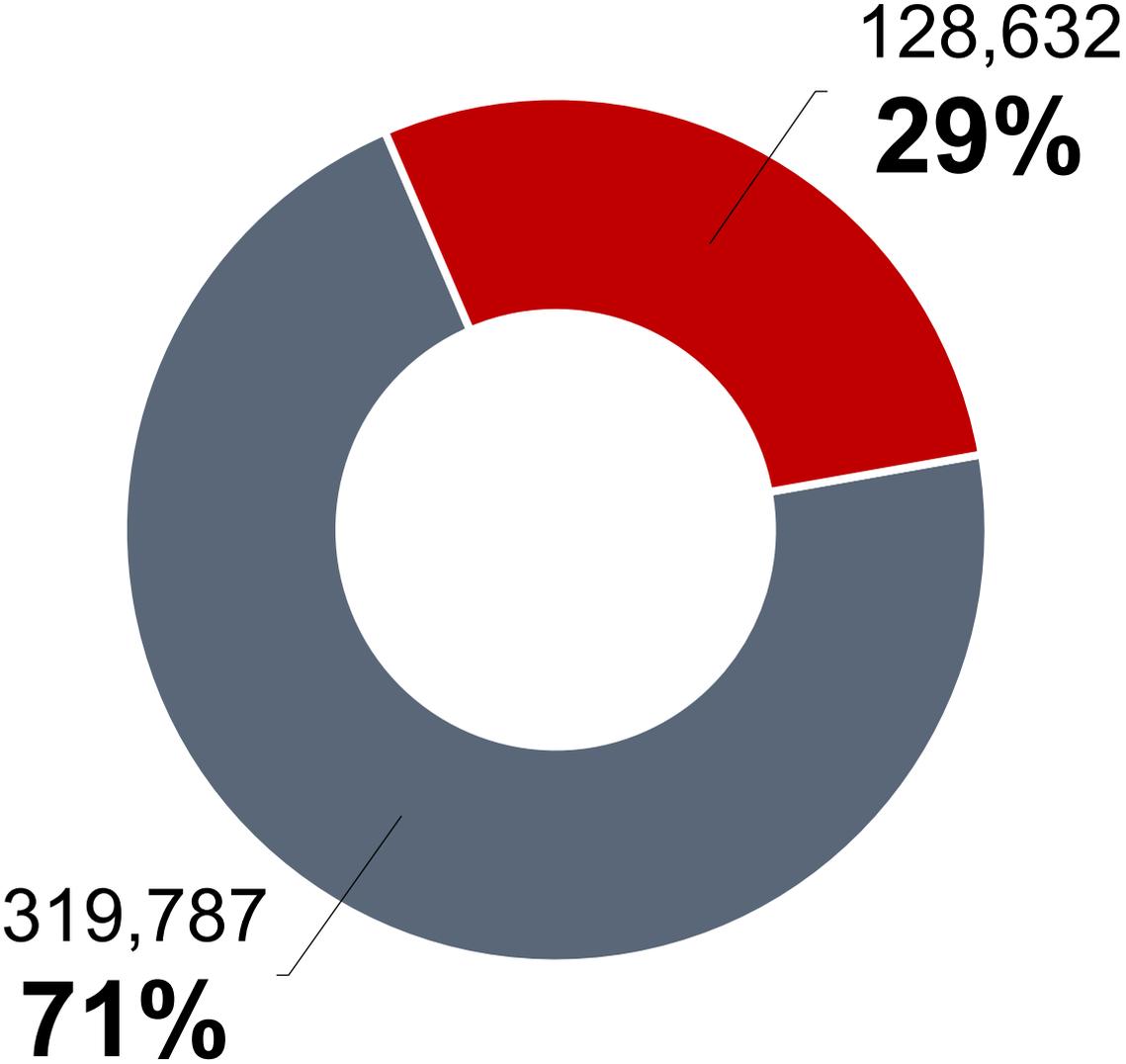
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# CalSTRS active member population

As of June 30, 2020



■ 2% at 60 formula

■ 2% at 62 formula

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

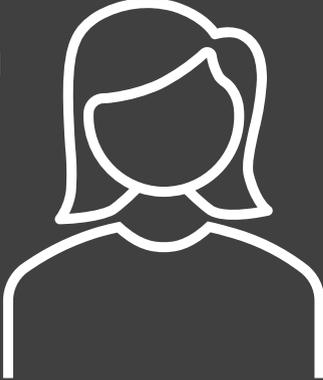
# CalSTRS retired members who are over 100 years old

As of June 30, 2020

**410**

CalSTRS  
retired  
members  
over 100  
years old

**352**  
females



**58**  
males



**109**

age of oldest  
retired member

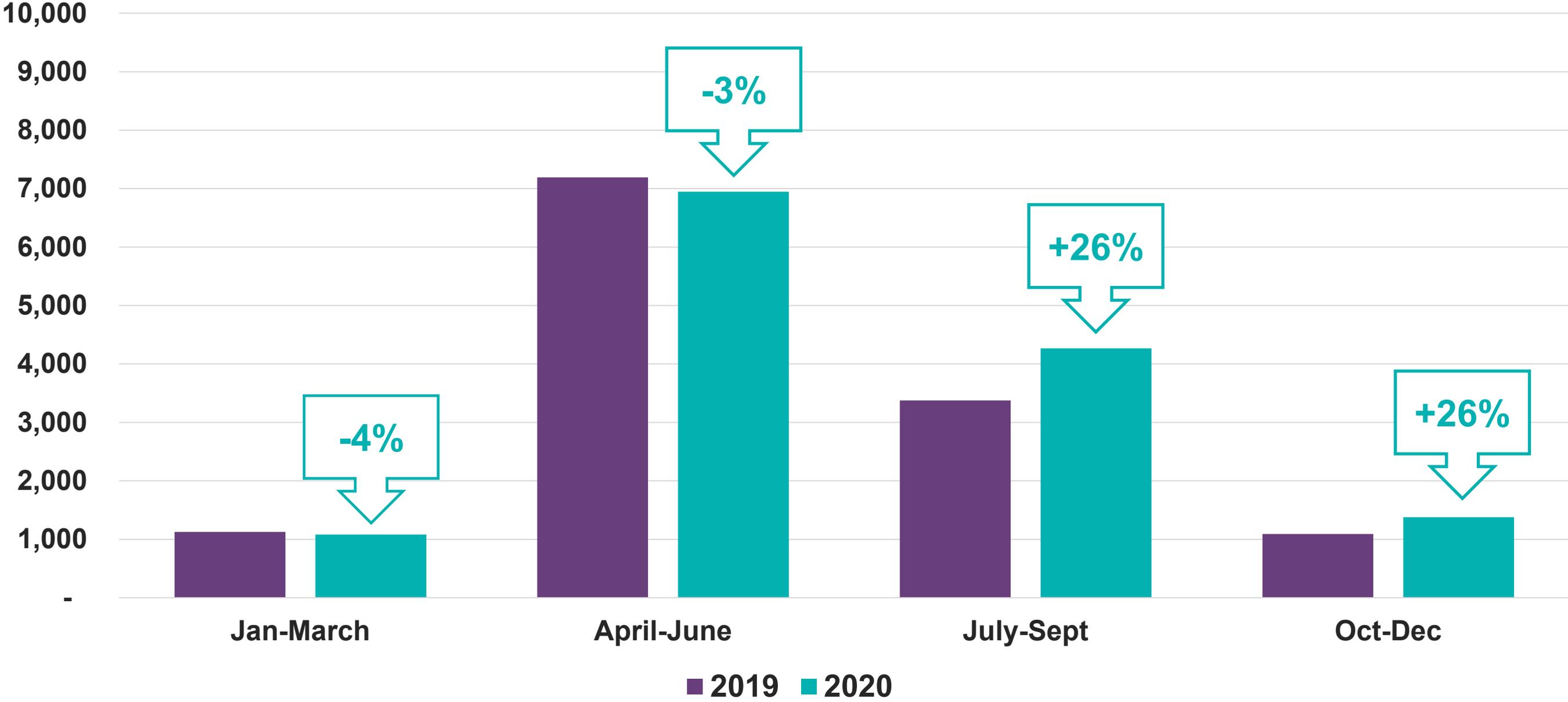
**22.3**

average years of  
service credit

**9,124**

total years of  
service credit

# Two-year comparison of retirements, by month



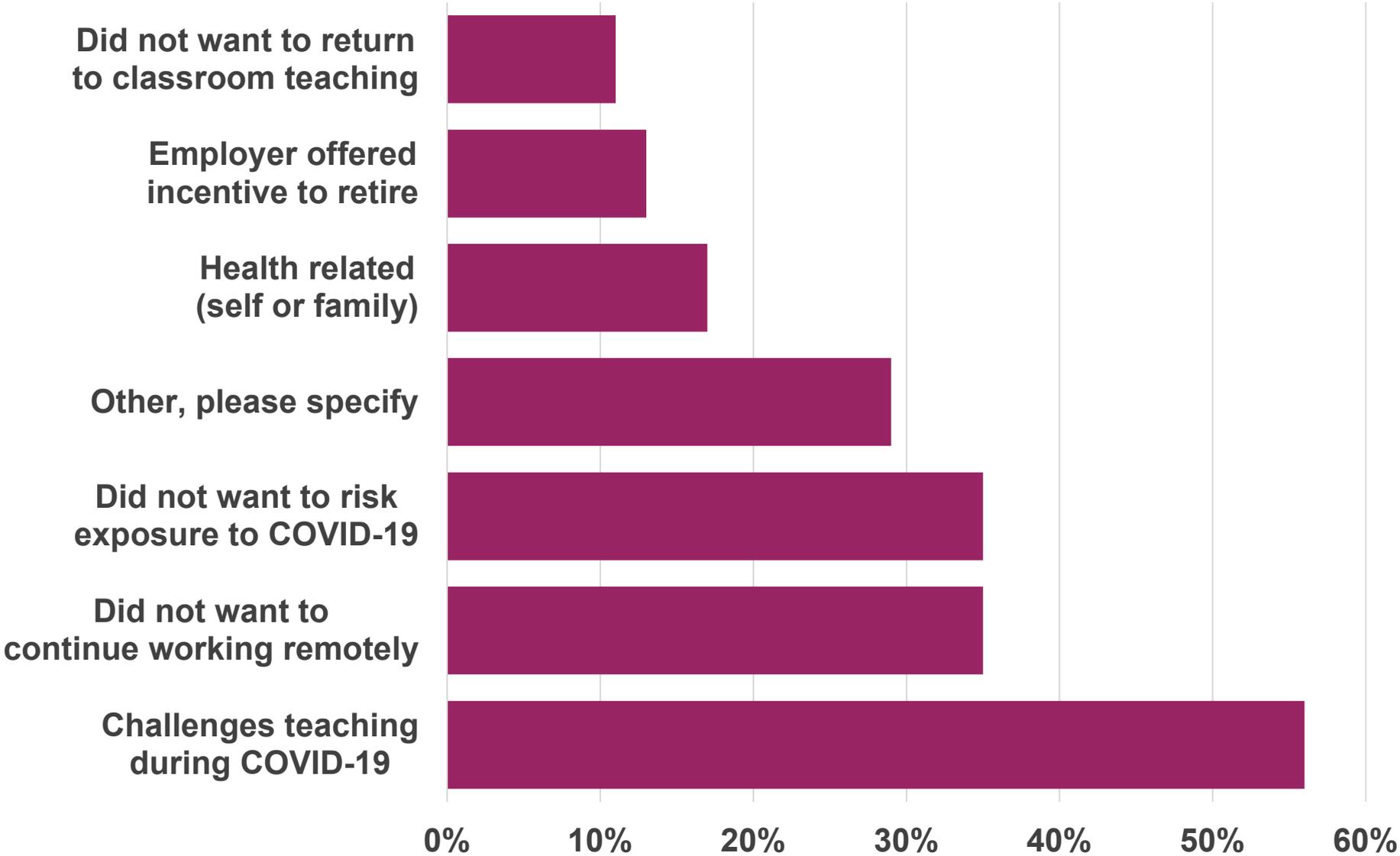
# Why did you retire early?

Did you decide to retire earlier than planned?



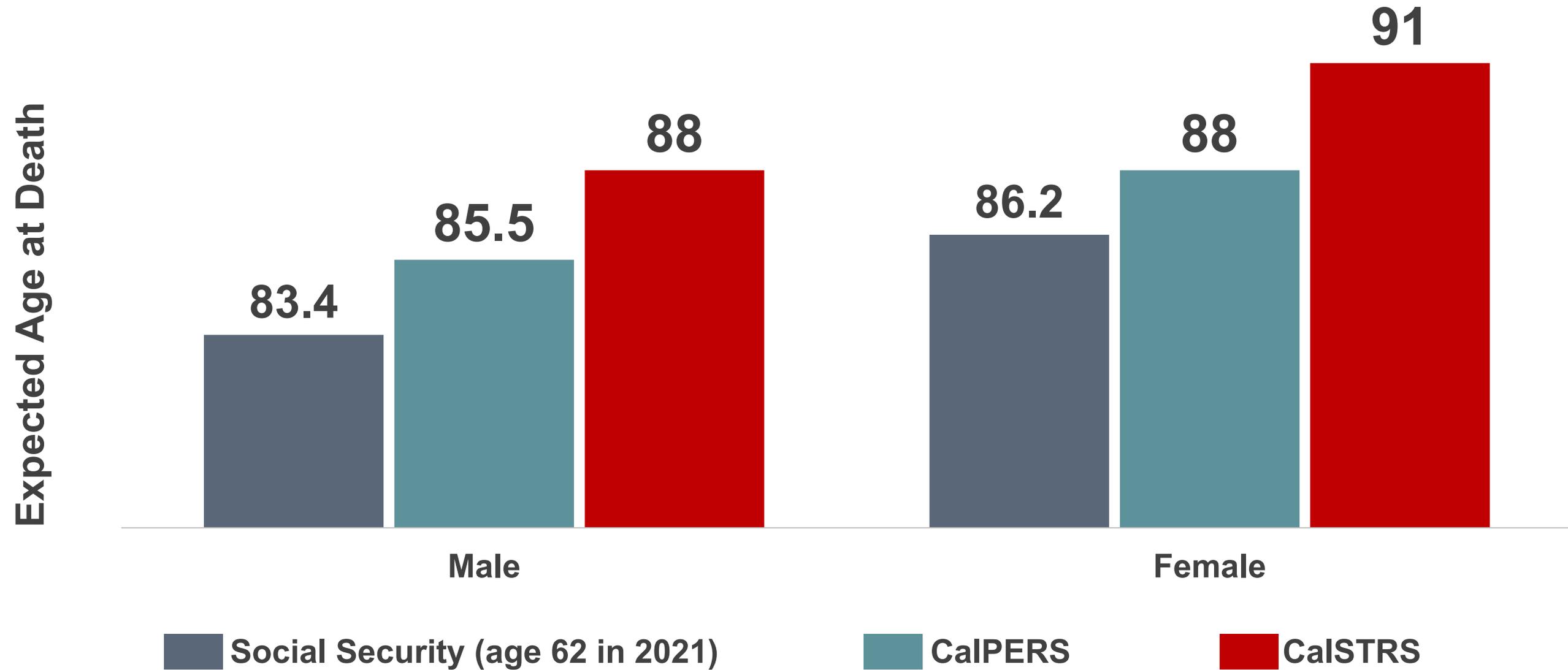
■ Yes ■ No

What contributed to your decision to retire earlier?



# 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



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

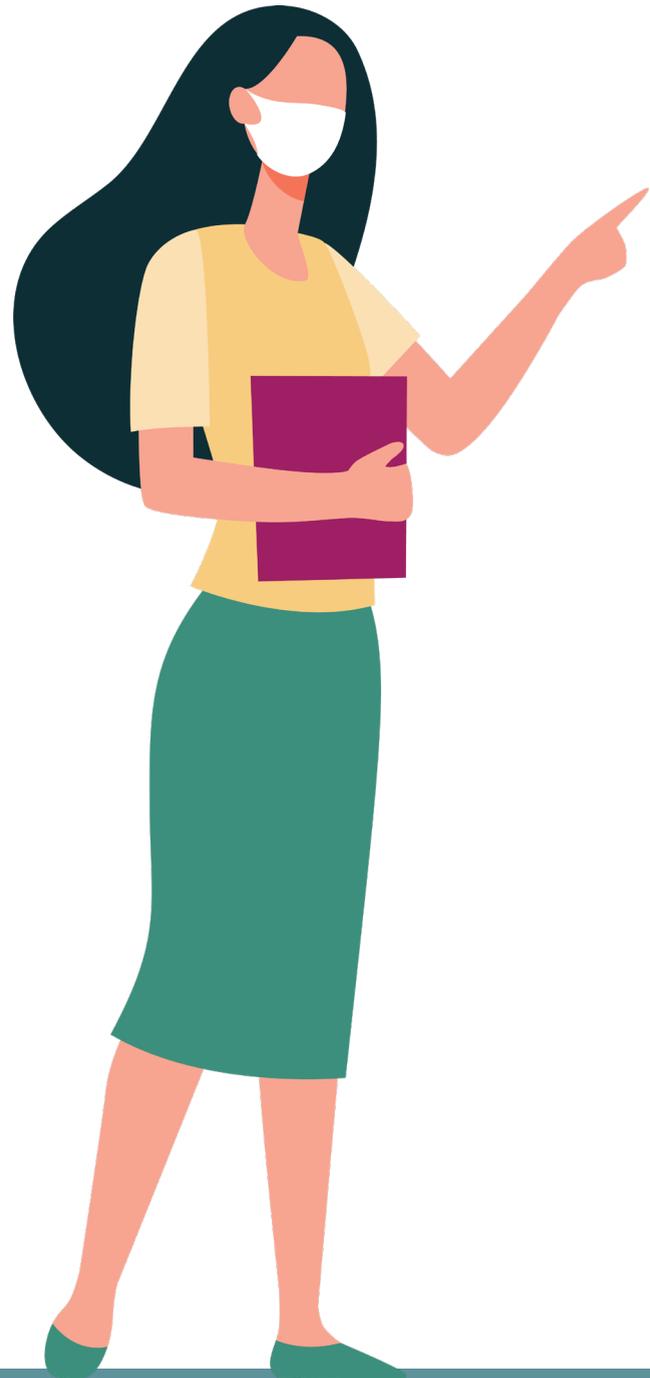


**61%**

**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.

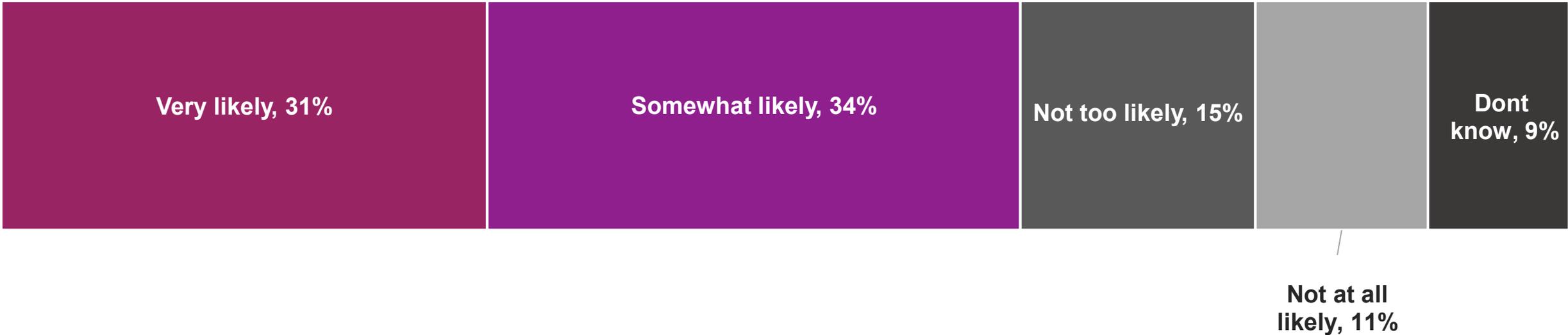
Of those who expect their plans to change as a result of COVID-19, over 2/3 expect to retire later.

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

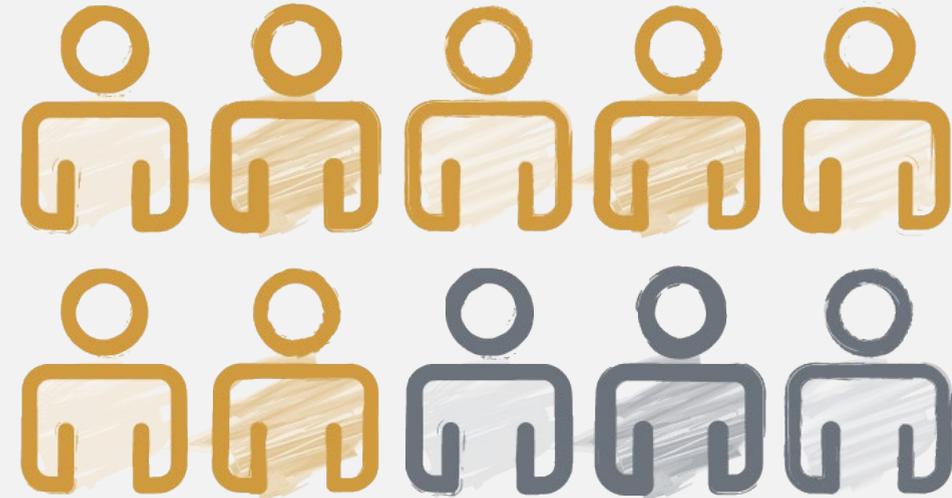


**6 in 10**

workers say their level of debt is a problem—including

**20%**

who say it is a major problem



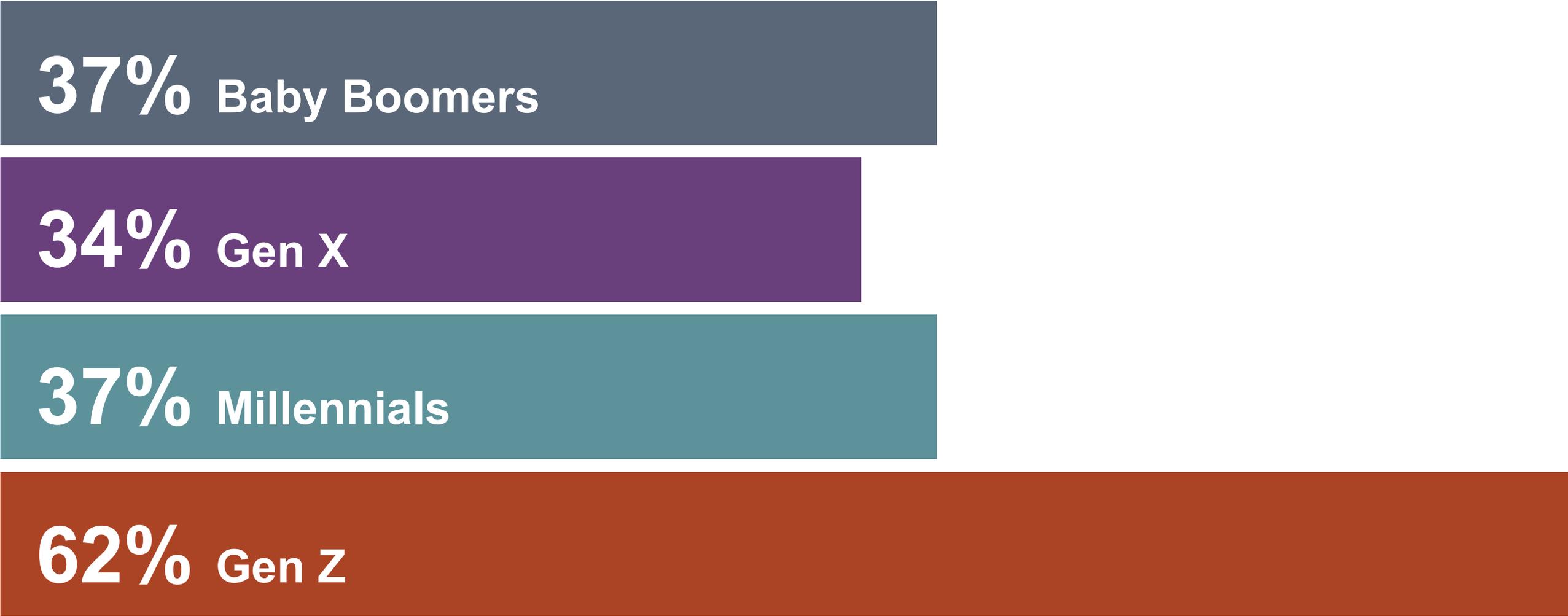
**7 in 10**

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

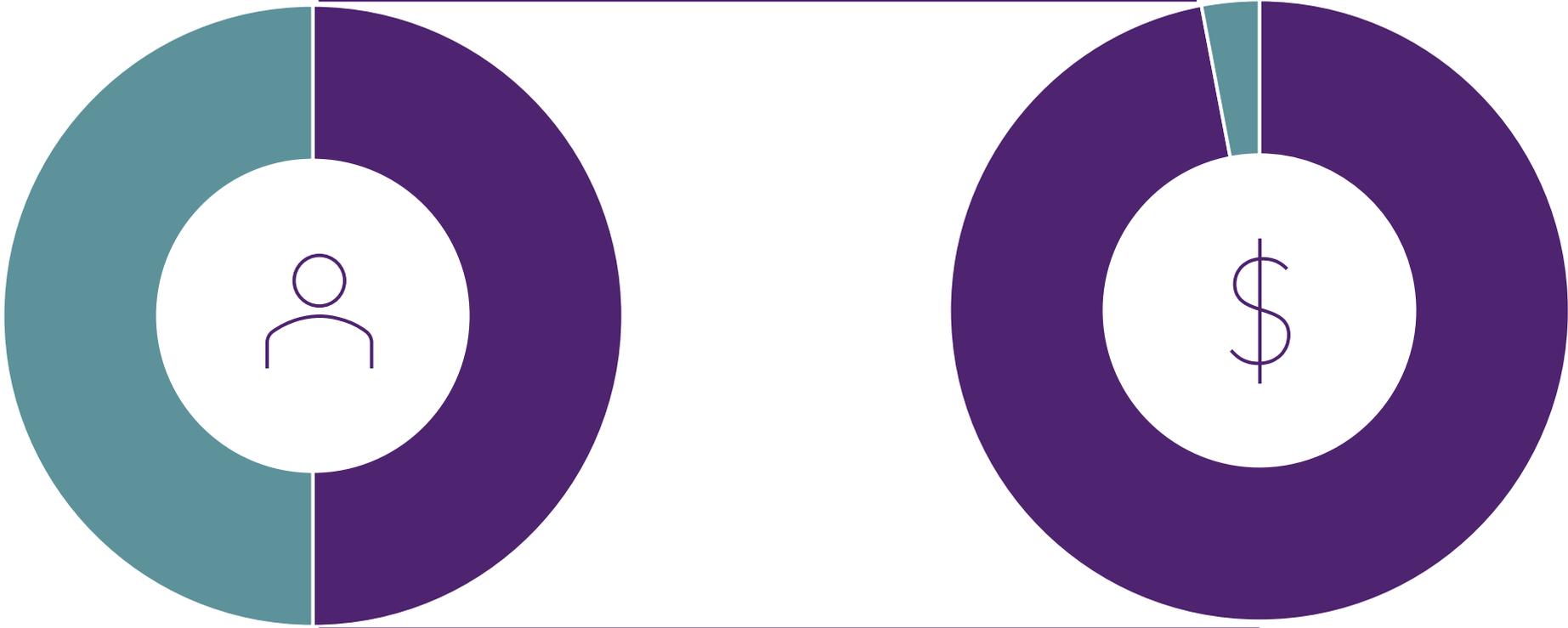
Percentage of workers with **less than \$1,000 saved**



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.



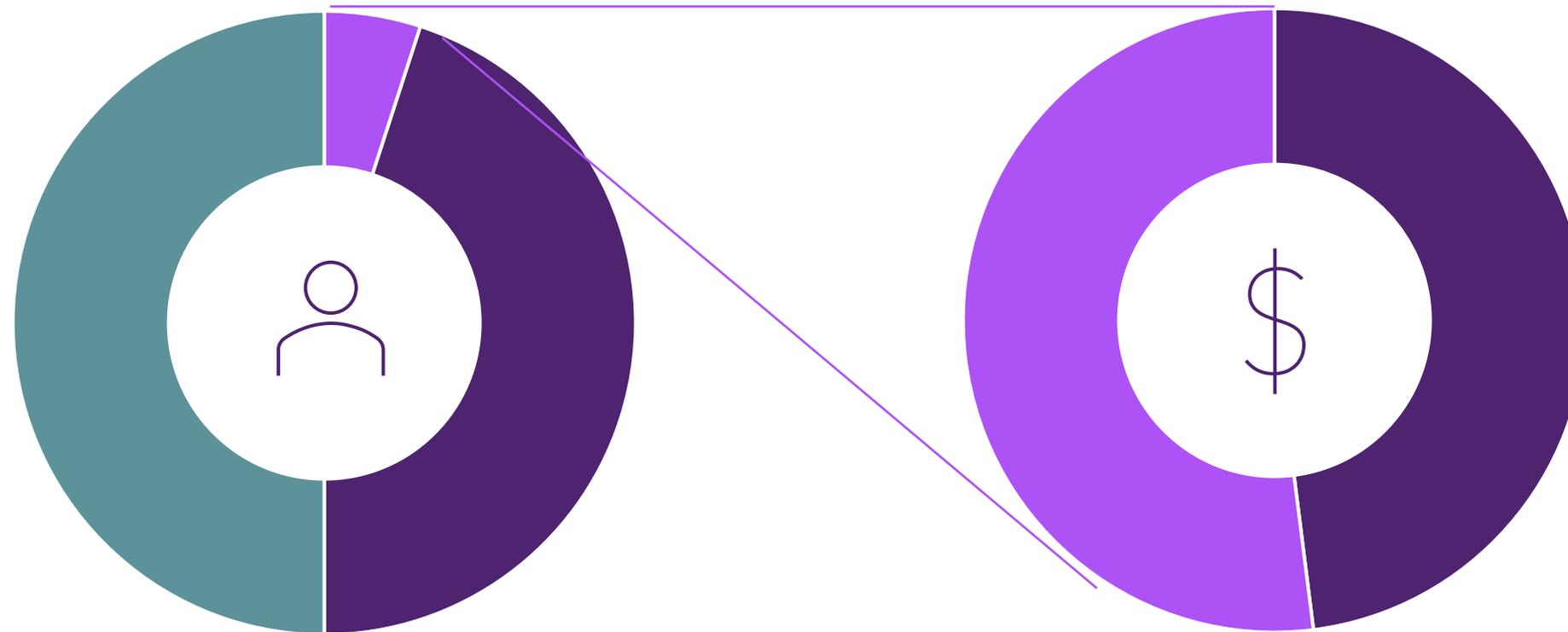
Source: NIRS, 2019

# 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

...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**

**59%**

**Percentage of U.S. workers without any retirement account**

**Percentage of U.S. workers that fall short of the most conservative savings targets for people of their age and income**

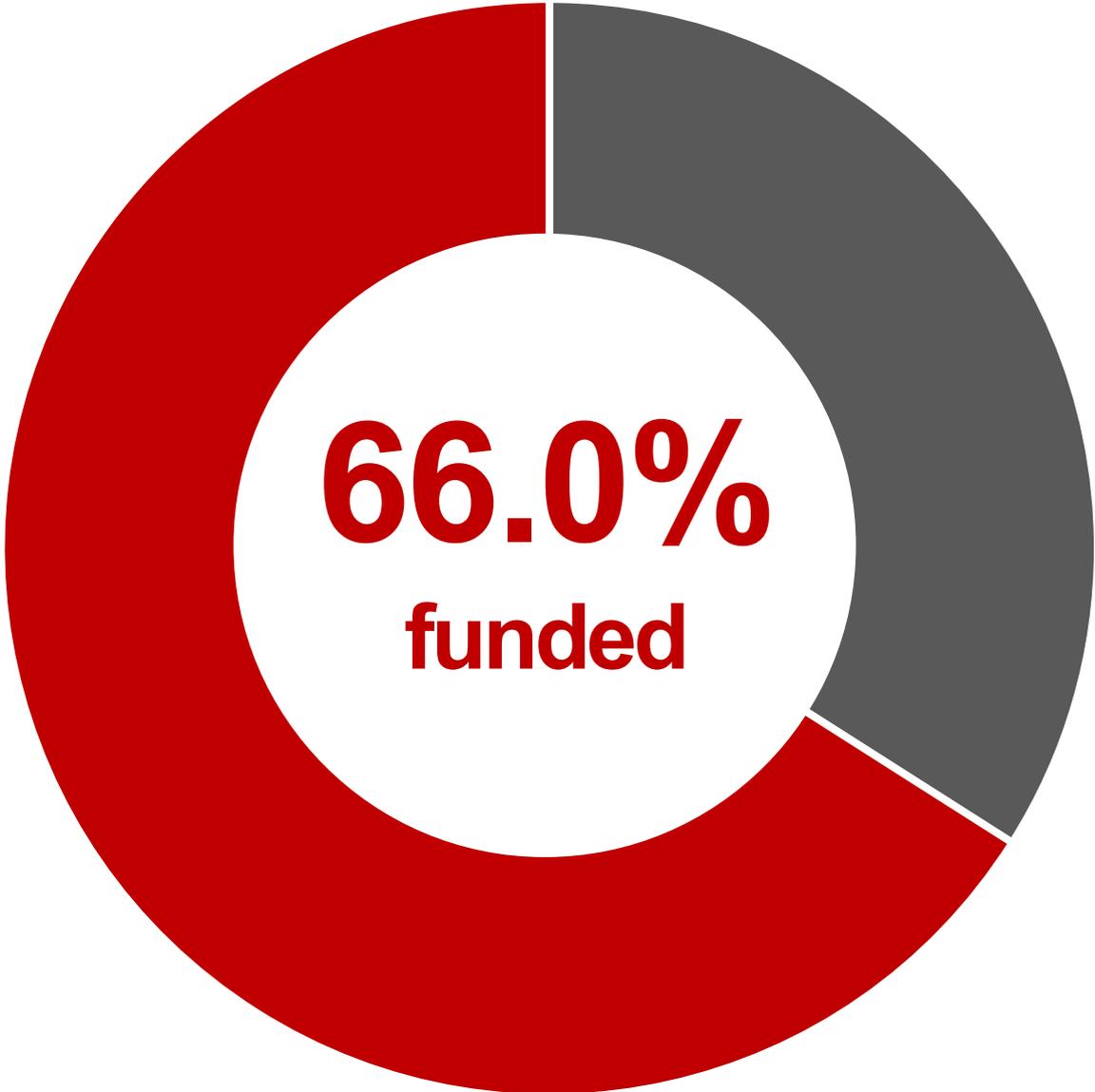
**77%**

# Sustainability for the Future



# Funded status

As of June 30, 2019

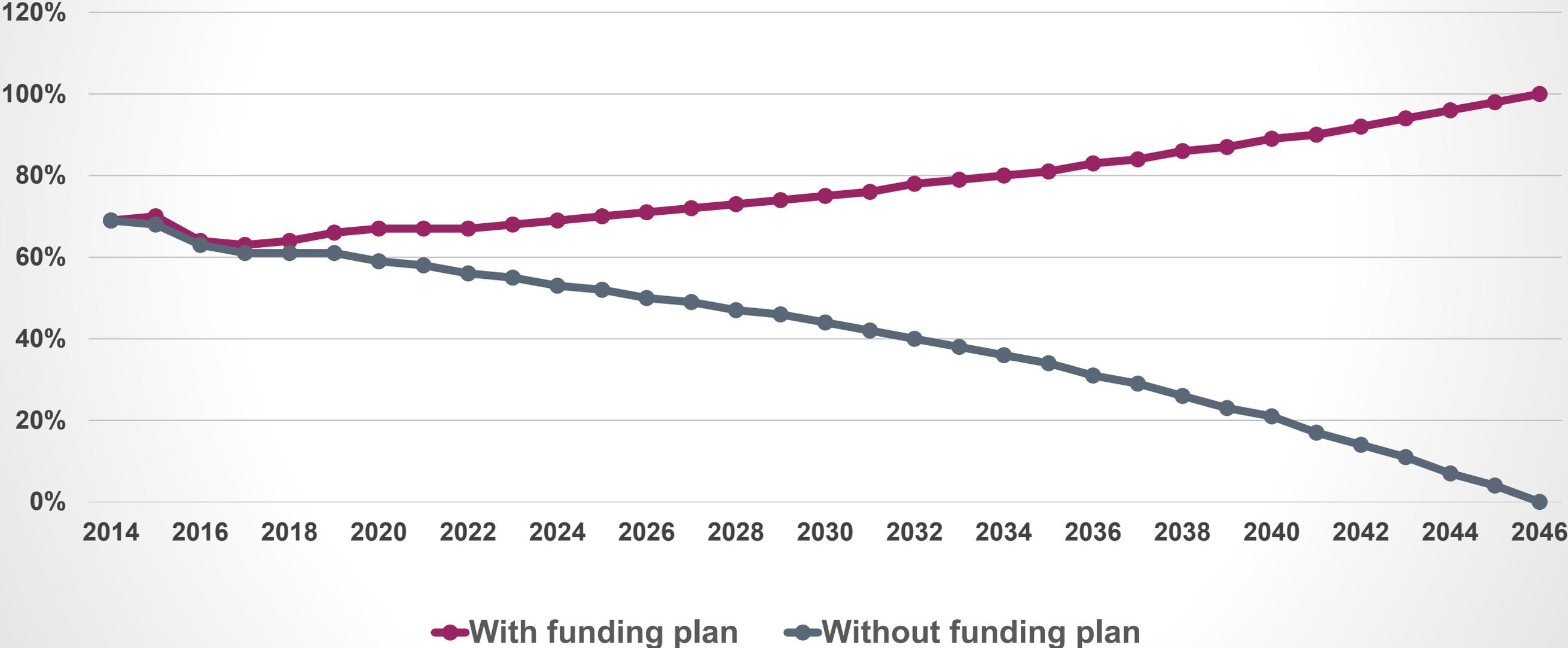


**\$286.9 billion**

investment assets as  
of February 28, 2021

# CalSTRS Funding Plan

Historical and projected funded status  
Comparing impact of funding plan



# Risks to the funding plan



## **Investment Risk**

Potential for lower returns and increased market volatility.

## **Longevity Risk**

Members living longer in retirement.

## **Membership and Payroll Growth Risk**

Affects incoming contributions if membership base declines.

# Sources of benefit payments



**\$0.60**  
Investment  
Earnings

**\$0.18**  
Employer  
Contributions

**\$0.12**  
State  
Contributions

**\$0.10**  
Member  
Contributions

# CalSTRS top 10 holdings

2000	2010	2020
 <i>General Electric</i>    Microsoft  <b>ExxonMobil</b> <b>Walmart</b>  <b>ORACLE</b> <b>NORTEL</b>  <b>vodafone</b>	<b>ExxonMobil</b>   Microsoft <b>IBM</b>  <i>Johnson &amp; Johnson</i> <b>JPMorganChase</b>   AT&T  <b>Chevron</b>  <i>General Electric</i>	 Microsoft  <b>amazon.com</b>  <b>Alphabet</b>   <b>阿里巴巴</b> <i>Alibaba.com</i> <i>Johnson &amp; Johnson</i> <b>Tencent</b> <b>腾讯</b>  <b>tsmc</b> <b>SAMSUNG</b>

# Global risks to portfolio

## Risks

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



## Positives

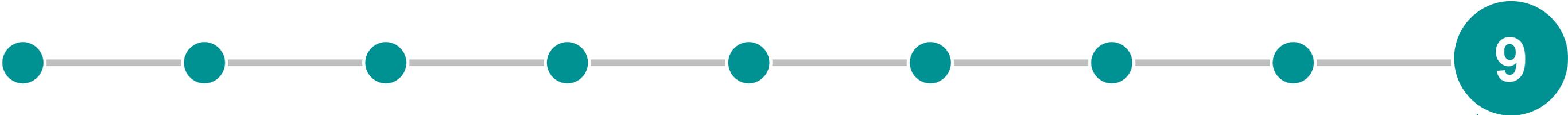
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- More government stimulus
- Social distancing
- Vaccine rollout
- Inflation in check

# Sustainable Investment and Stewardship Strategies



# 9<sup>th</sup> 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



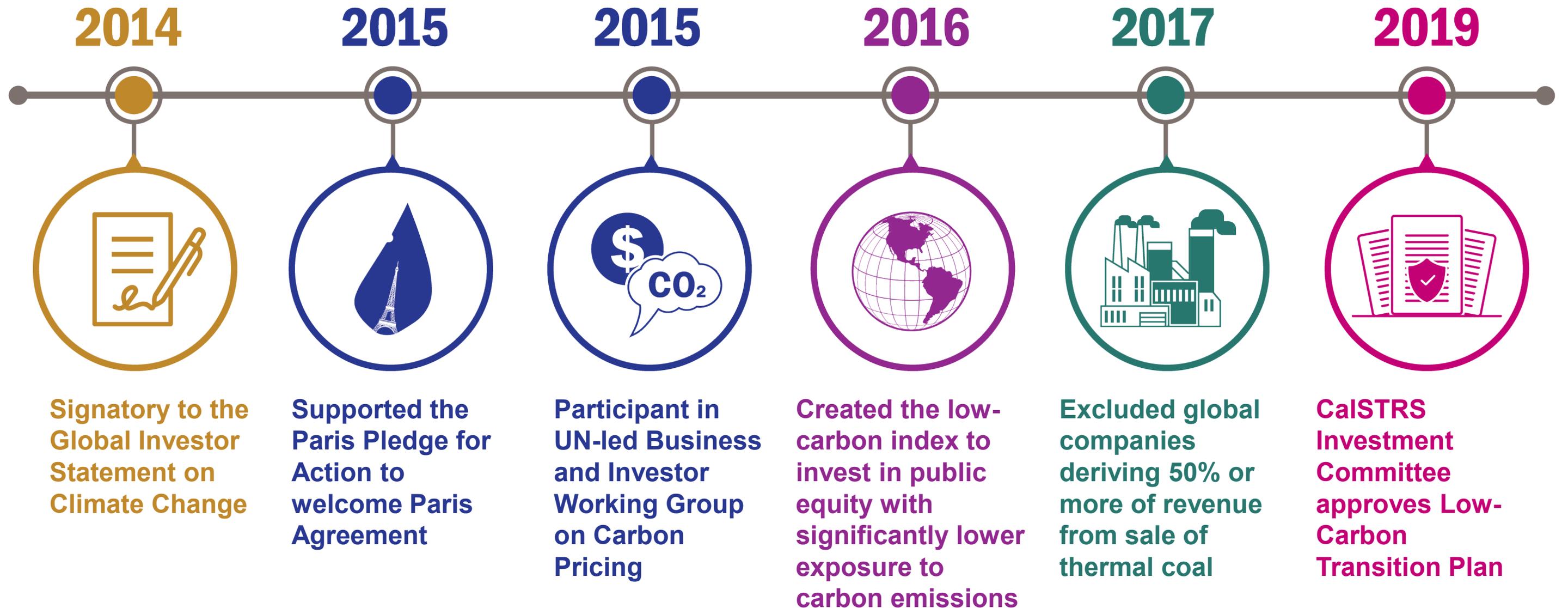
# ESG factors: Sustainable investing

**Environmental**

**Social**

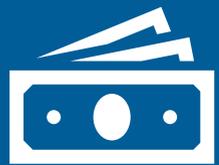
**Governance**

## Transition to a Low Carbon Economy



## CalSTRS low-carbon investments by the numbers

**SISS  
Portfolio**



**\$2.1  
billion**

**Public  
Equity**



**\$2.3  
billion**

**Fixed  
Income**



**\$286  
million**

**Inflation-  
Sensitive**



**\$505  
million**

**Private  
Equity**



**\$692  
million**

**Real  
Estate**



**Nearly  
90%**

# Stay connected with CalSTRS

