

AARP IN THE STATES

OVERVIEW: California Public Employees' Retirement System




The **California Public Employees' Retirement System (CalPERS)** provides a defined benefit (DB) pension for public employees. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 775,285 retired public employees helps support:

 **\$86.9 billion**
in economic output in California.

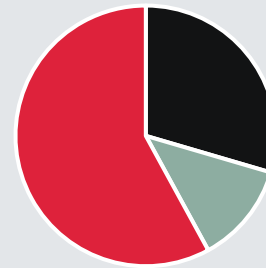
 **397,270 jobs**
paying \$28.4 billion in wages supported by retirees' spending from public pensions in California.

 **\$16.6 billion**
in federal, state, and local tax revenues based on spending of pension benefits in California.

Pensions are a good deal for taxpayers:

Funding of public employee pensions is shared by employees and employers. New CalPERS employees contribute a variable percentage of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers (via employer contributions) paid only 29.5% of the cost of pension benefits in California.


58.0%
Investment Earnings



29.5%
Employer Contributions
12.5%
Employee Contributions

Key facts about the plan and its benefits:

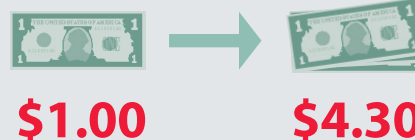
 **884,943**
Total active members of California Public Employees' Retirement System.

 **60%**
After a 30-year career, a pension benefit from CalPERS will replace 60% of an employees' pre-retirement income.

 **\$3,130**
Average pension benefit paid to retired CalPERS members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by California taxpayers (employers) in these plans supported **\$4.30** in total economic activity in the state.



All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.



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PRIMER: California Public Employees' Retirement System

The California Public Employees' Retirement System (CalPERS) provides benefits to qualified state and school employees.

The CalPERS Pension Works for California Stakeholders



Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.



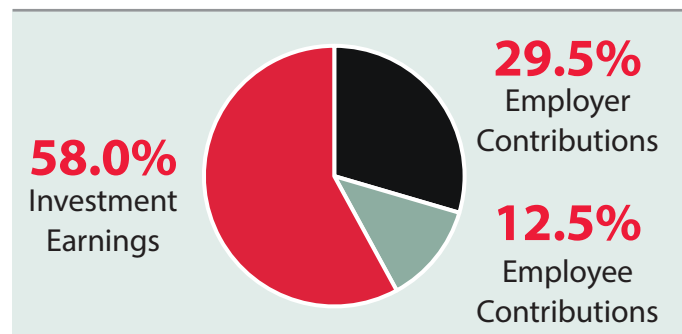
The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.



Pensions offer employees the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New CalPERS employees contribute a variable percentage of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers paid only 29.5% of the cost of benefits in California.



Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:



Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

CalPERS Key Facts



CalPERS serves 884,943 active employees and 775,285 retired members and survivor beneficiaries.



New employees contribute a variable percentage of pay to CalPERS.



Employers contribute percentages to the fund that vary by employee class and agency.



The average monthly retirement benefit for members is \$3,130.



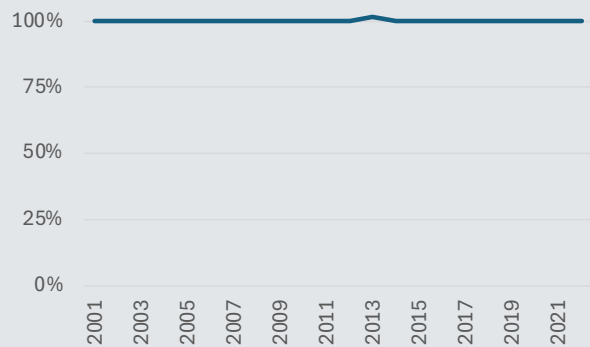
After a 30-year career, a pension benefit from CalPERS will replace 60% of an employee's final average salary.

Historical CalPERS Funding Experience

California established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2022 year, CalPERS had \$452 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund is financially sound over time.

California Paid 100% of Weighted Average Percent of ADC from FY2001-FY2019 for CalPERS



California Made Plan Changes to CalPERS in Recent Years

Following the global stock market crash in 2008-2009, California policymakers proactively made changes to CalPERS to ensure long-term sustainability. These included:

- In 2010 and again in 2012, reforms lowered the benefits for newly hired employees by adjusting the formula, raising retirement age eligibility and capping compensation used to calculate benefits.
- Employee contributions increased and employees hired after 1/1/13 must contribute 50% of the annual cost of benefits earned.

The Economic Impact of California Pensions:



\$86.9 billion

in economic output generated by retirees' spending from public pensions in California.



397,270 jobs

paying \$28.4 billion in wages supported by retirees spending from public pensions in California.



\$16.6 billion

in federal, state, and local tax revenues generated by retiree benefits and spending in California.

All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.

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OVERVIEW: California State Teachers' Retirement System



The **California State Teachers' Retirement System (CalSTRS)** provides a defined benefit (DB) pension for teachers. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 325,468 retired public employees helps support:



\$86.9 billion

in economic output in California.



397,270 jobs

paying \$28.4 billion in wages supported by retirees' spending from public pensions in California.



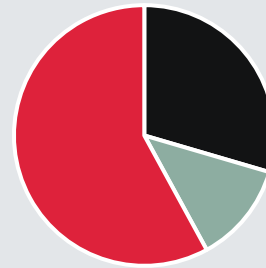
\$16.6 billion

in federal, state, and local tax revenues based on spending of public pension benefits in California.

Pensions are a good deal for taxpayers:

Funding of teacher pensions is shared by employees and employers. New CalSTRS employees contribute 10.21% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers (via employer contributions) paid only 29.5% of the cost of pension benefits in California.

58.0%
Investment Earnings



29.5%
Employer Contributions

12.5%
Employee Contributions

Key facts about the plan and its benefits:



449,418

Total active members of California State Teachers' Retirement System.



60%

After a 30-year career, a pension benefit from CalSTRS will replace 60% of an employee's pre-retirement income.



\$4,397

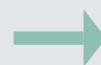
Average pension benefit paid to retired CalSTRS members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by California taxpayers (employers) in these plans supported **\$4.30** in total economic activity in the state.



\$1.00



\$4.30

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PRIMER: California State Teachers' Retirement System

The California State Teachers' Retirement System (CalSTRS) provides benefits to qualified public school educators.

The CalSTRS Pension Works for California Stakeholders



Effective teachers are the cornerstone of education quality, but teachers are underpaid. Pensions help schools keep teachers and compensate for low pay.



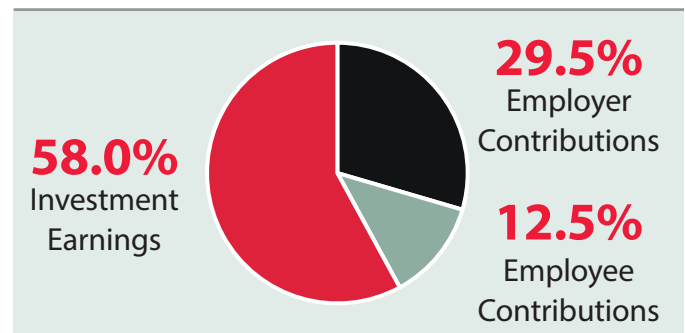
Retaining experienced midcareer teachers boosts student performance. Pensions help keep effective midcareer teachers in the classroom, increasing education quality.



Pensions offer teachers the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New CalSTRS employees contribute 10.21% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2022, taxpayers paid only 29.5% of the cost of benefits in California.



Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:



Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

CalSTRS Key Facts



CalSTRS serves 449,418 active employees and 325,468 retired members and survivor beneficiaries.



New employees contribute 10.21% to CalSTRS.



Employers contribute 19.1% to the fund for employees.



The average monthly retirement benefit for members is \$4,397.



After a 30-year career, a pension benefit from CalSTRS will replace 60% of final average salary.

Historical CalSTRS Funding Experience

California established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2022 year, CalSTRS had \$258 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund is financially sound over time.

California Paid 76% of Weighted Average Percent of ADC from FY2001-FY2022 for CalSTRS



California Made Plan Changes to CalSTRS in Recent Years

Following the global stock market crash in 2008-2009, California policymakers proactively made changes to CalSTRS to ensure long-term sustainability. These included:

- Teachers hired after 1/1/13 must contribute 50% of the annual cost of benefits earned, which are lower because of reduced multipliers.
- The plan also increased retirement age and lowered average salaries.
- The funding plan established in 2014 increased the plan contributions for current employees, school districts and the state.

The Economic Impact of California Pensions:



\$86.9 billion

in economic output generated by retirees' spending from public pensions in California.



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Pensions Help Deliver Quality Education in California

There are important policy reasons to continue offering teachers defined benefit (DB) pensions. DB pensions give schools an effective tool to retain high-quality, experienced teachers. These teachers are the most important school-based element that provides positive educational outcomes for our children.

Pension benefits provide teachers an incentive to continue delivering quality education to K-12 students. This incentive becomes all the more important over a teaching career as the erosion of teachers' wages, when compared to the wages of similar college-educated workers, widens for more experienced teachers.¹

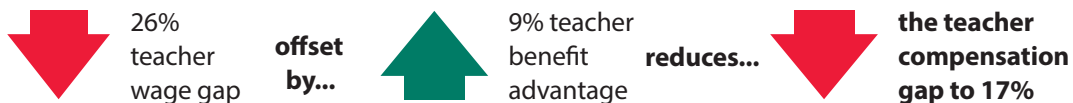
Because pensions help attract and retain workers, California can keep skilled teachers in the classroom and empower students to achieve their highest potential. The nationwide teacher shortage is impacting California, as enrollment in traditional teacher preparation programs has *declined by 14%* between 2009-2010 and 2021-2022.

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Rural counties have the largest percentage of their population receiving a public pension benefit, as 3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 26 percent pay gap relative to comparable private sector workers in 2022. At the same time, teachers' benefits, including pensions, help bridge that gap and allow states to attract and retain highly qualified educators by reducing that overall gap in compensation to 17 percent. In California, teachers experience a 19.2 percent wage gap when compared to other college graduates in the workforce.²



Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.



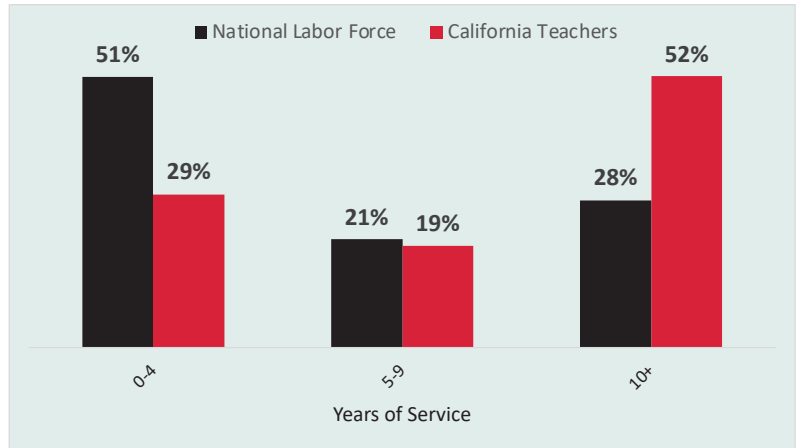
82 percent of Americans say pensions are a good way to recruit and retain qualified teachers.



78 percent of Americans agree that teachers deserve pensions to compensate for lower pay.³

Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are better teachers. DB pensions help to retain highly productive teachers longer, as compared with individual DC accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.⁴



CalSTRS serves 449,418 active employees and 325,468 retired members and survivor beneficiaries.



New employees contribute 10.21% to the fund.



Employers contribute 19.1% to the fund.



The average monthly retirement benefit for members is \$4,397.



CalSTRS has \$258 billion in assets and \$88.6 billion in unfunded actuarial accrued liability.⁵

The Economic Impact of California Pensions

\$86.9 billion



in economic output generated by retirees' spending from public pensions in California.

397,270 jobs



paying \$28.4 billion in wages supported by retirees' spending from public pensions in California.

\$16.6 billion



in federal, state, and local tax revenues based on spending of pension benefits in California.⁶

¹ Weller, C. 2017. "Win-Win: Pensions Effectively Serve American Schools and Teachers." Washington, DC. National Institute of Retirement Security (NIRS).

² Allegretto, S. 2023. "Teacher pay penalty still looms large." Washington, DC. Economic Policy Institute.

³ Doonan, D. and Kenneally, K. 2024. "Retirement Insecurity 2024: Americans' Views of Retirement." Washington, DC. NIRS.

⁴ Copeland, C. 2023. "Trends in Employee Tenure, 1983–2022." Washington, DC. Employee Benefit Research Institute.

⁵ All data, unless otherwise noted, as of fiscal year ended 2023.

⁶ Boivie, I. 2025. "Pensionomics 2025: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.