while making profit off of the fees they can charge each individ-
ual. But Wall Street will also gain in an even bigger way. Institu-
tional investors, like CalSTRS, have been the biggest champions of 
executive compensation reform and regulatory reform of the
financial industry. Without institutional investors, no one would 
be keeping watch over bad corporate behavior, and there would 
be no guarantee that the money would go back into the state 
and national economies as it does now.

Some critics claim that CalSTRS is heading toward insolvency, 
and therefore should be eliminated. Although it is true that 
CalSTRS has a $56 billion shortfall, this does not have to be paid 
overnight. Like a mortgage, this is an amount that will need to be 
closed over a 30-year period. The shortfall has to be addressed, 
and teachers are committed to partnering with CalSTRS in finding 
a long-term funding solution, as they have since the system’s 
inception in 1913.

All Californians should have a safe and secure retirement 
system, just like teachers and other public servants. The real 
problem is not that teachers, firefighters and other public 
servants have defined benefit plans, but that many private-sector 
workers do not. That’s because the private sector systematically 
eliminated defined benefit pension plans in favor of risky 401(k) 
plans to reduce costs to corporate America at the expense of the
American worker.

Instead of attacking teachers over their modest retirement 
benefits, we should be having discussions about how to create 
better retirement options for everyone. Eliminating the retirement 
options for teachers and public employees will not add to anyone’s 
retirement security and will not balance the state budget.

HOW THE PUBLIC BENEFITS
Retirement benefits received by retirees are spent in the local 
community. This spending ripples through the economy, as one person’s 
spending becomes another person’s income, creating a multiplier effect. 
Pension benefits also provide billions in tax revenue.

RESEARCH SHOWS
A study by the Applied Research Center 
at CSU Sacramento found that in 2006:

60,867 jobs were created due to economic 
activity of retirement benefit payments.

$607 million was generated in state and 
local revenue.

$4.5 billion in value was added to the 
state’s economy from generated business activity.

Each $1 in taxpayer contributions 
to California’s state and local pension plans 
equates to a return of $7.91 in total output 
to the state. This reflects the fact that taxpayer 
contributions are a minor source of financing for 
retirement benefits. Investment earnings and 
employee contributions finance the lion’s share.

(2006 National Institute of Retirement Security data)

HELPFUL LINKS
California Teachers Association 
www.cta.org
California State Teachers’ Retirement System 
www.calstrs.com
California Public Employees’ Retirement System 
www.calpers.ca.gov
CalSTRS Pension News & Information 
www.calstrsbenefits.us
National Education Association 
www.nea.org
National Institute on Retirement Security 
www.nirsonline.org

The TRUTH about 
TEACHERS’ RETIREMENT
As the fiscal crisis deepens in California and throughout 
the nation, teachers and other public employees have 
increasingly been scapegoated as a large part of 
the problem — specifically because they have earned 
pensions as part of their compensation package.

It’s time to set the record straight.
THE TRUTH ABOUT YOUR PENSION

The economic collapse is the result of many factors, including the subprime mortgage crisis, Wall Street banking scandals, the deregulation of financial institutions, high corporate and consumer debt levels, a high unemployment level, and unbridled corporate greed. It is an epic global crisis, and it affects all of us. It was not caused by middle-income teachers and education support professionals who worked hard and contributed part of their pay toward their pension throughout the years so they could live modestly during their retirement. It was caused largely by Wall Street bankers, who, instead of going to prison, continue to receive outrageous pay raises and $100 million bonuses.

In California, most educators belong to the California State Teachers’ Retirement System (CalSTRS), the second-largest public retirement fund in the country. The retirement fund is not a taxpayer giveaway, as critics have charged. Over the span of their careers, CalSTRS members contribute 8 percent of their monthly pay to help finance their retirement. Employers kick in 8.25 percent of monthly pay, the state contributes a little more than 2 percent (which previously was 4.7 percent but was reduced a decade ago, saving the state over $3 billion), and the returns garnered by CalSTRS investments do the rest.

Unlike most workers, educators in California do not earn any Social Security benefits, and teachers who previously worked in the private sector often see their Social Security benefits reduced or eliminated from federal Social Security offsets, despite the fact that they paid into the Social Security system. Teachers’ retirement benefits, secured over nearly three decades of service, replace about 62 percent of their working income. As such, the CalSTRS pension represents the only source of reliable monthly income a retired teacher receives. In addition, most public school educators in the state retire without employer-sponsored health care after age 65.

Teachers are not the only ones to gain from having a secure retirement. California gains as well. Here’s why:

- Retiree spending from these benefits creates more than $34.5 billion in economic output for the state each year.
- As recently as 2007, almost 61,000 jobs were created due to the economic activity of retirement benefit plans.
- Each $1 in taxpayer contributions to California’s state and local pension plans creates $7.91 in total economic output for the state.

Defined benefit payments to retired educators have been a powerful economic engine in California’s 58 counties and have a trickle-down effect on the local, state and national economies as well.

Without question, CalSTRS, like pension funds worldwide, has taken a hit due to the global recession, but it is not bankrupt, nor will it bankrupt the state. CalSTRS has historically been a sound system, and until the market collapse had consistently met or exceeded its assumed rate of return. Even under current economic conditions, CalSTRS is 71 percent funded and has sufficient assets and projected contributions to pay benefits until 2045.

Why the attack on public employee pensions? Who really benefits by their elimination? Again, the answer is Wall Street and those who seek to undermine the middle class. The elimination of public pension systems would be a huge boon for financial planners and companies that stand to invest that money.

KNOW THE FACTS

CalSTRS

Founded in 1913, the California State Teachers’ Retirement System (CalSTRS), the second-largest public retirement fund in the country, offers critical retirement security for its one million members. CalSTRS has received national recognition for its ethical standards, including keen monitoring against pension “spiking.”

CALPERS

Both K-12 classified staff and California State Teachers’ Retirement System members belong to the California Public Employees’ Retirement System (CalPERS), the nation’s largest public pension fund.

The average school employee, after working 30 years, receives about $1,100 a month. CalPERS has earned back more than $70 billion since the financial crisis and is at a 30-year low in the percentage of payroll for pensions.

THE STATE’S CONTRIBUTION HAS DROPPED

10%
8%
6%
4%
2%
0%
1.08%
1.97%
3.10%
2.53%
2.01% 2.76% 4.72%

School District Contribution = 8.25%
Employee Contribution = 8%
State Contribution = 2.53%

CALSTRS DEMOGRAPHICS

Average retirement age 62
Average years of service 27
70% of CalSTRS members are women
Average monthly benefit $3,300

Source: CalSTRS 2011

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