Pensions and California Public Schools

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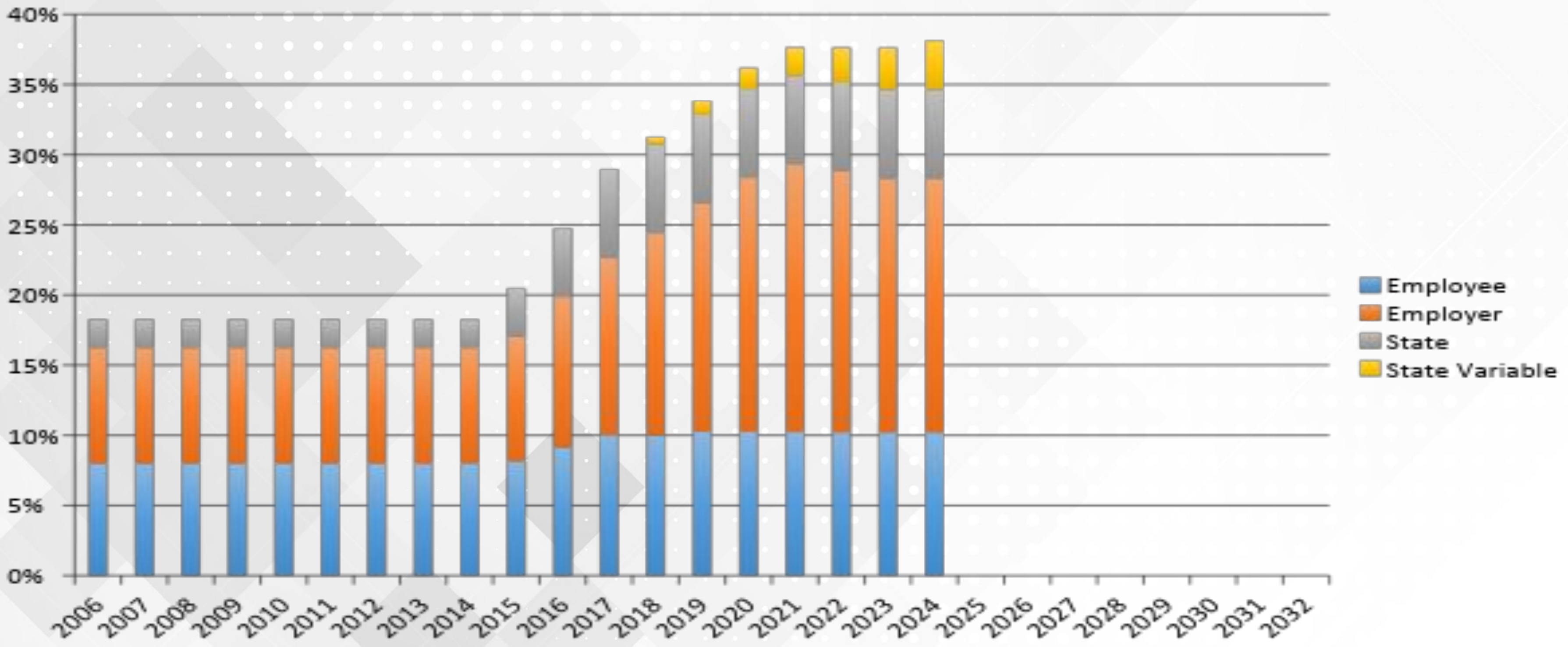
CalSTRS Contribution Rates as a Percent of Teacher Salaries: 2006-2024 (current projections)

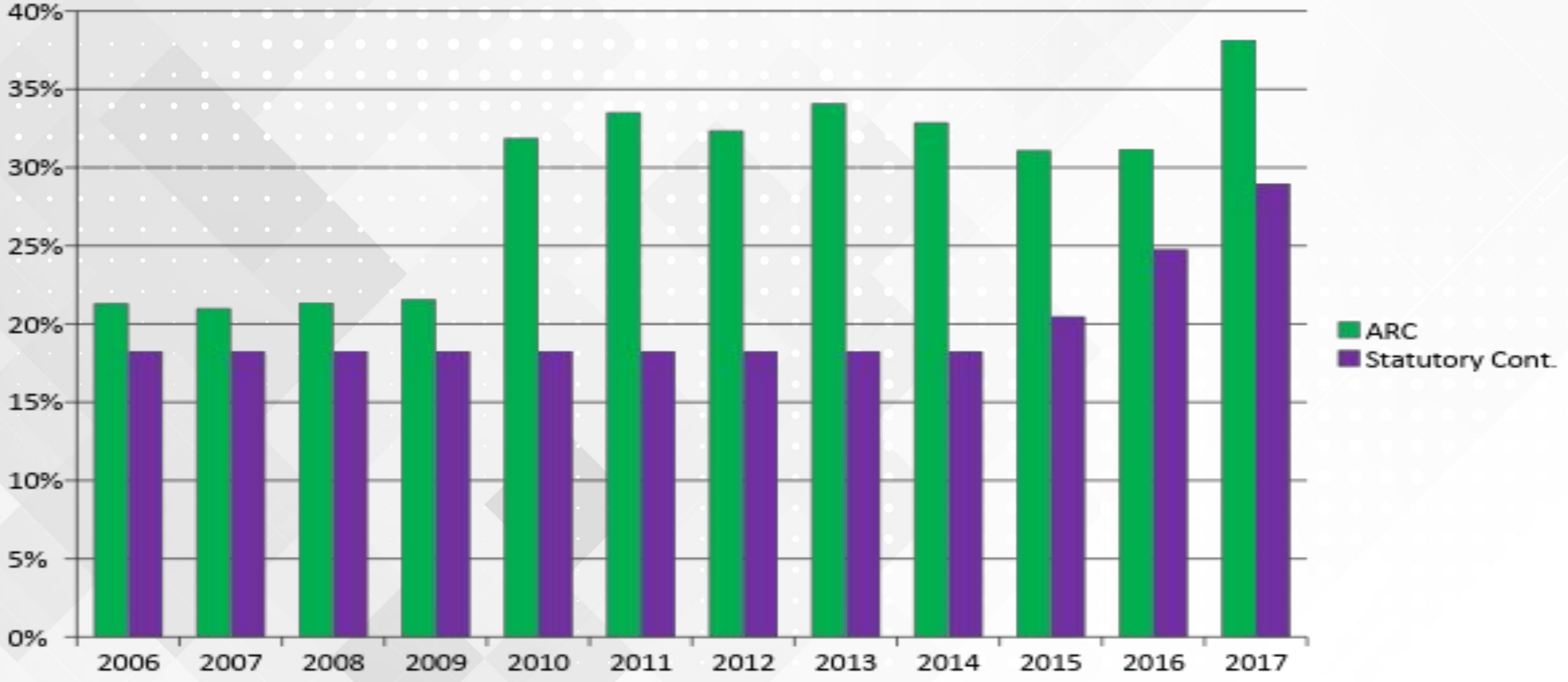


Why are rates rising?

- Pension debt
    - School districts, the state, and CalSTRS employees have been underpaying the actuarially-calculated ARC for a very long time.
        - This is like receiving a credit card bill every month and not paying it off in full. The balance builds up over time.

    - The ARC is what actuaries say is needed to fund promised future benefits. In addition to underpaying the CalSTRS ARC for many years, there is consensus among financial economists that the ARC itself is too low.

Realized ARC and Statutory Contribution Rate, 2006-2017, in Percentage Points of Salaries



Longer-Term Outlook

- How long will the higher pension contribution rates be required?
  - Under current law and assuming all actuarial assumptions hold, through **2046**

  - If actuarial projections are too optimistic, one of two things will happen:
    - Even higher contribution rates will be required (under Assembly Bill 1469, most but not all of this risk falls on the state government)

    and/or

    - The 2046 endpoint will be extended