

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Retirement Readiness Assessment Report

ITEM NUMBER: 10

CONSENT:

ATTACHMENT(S): 1

ACTION:

DATE OF MEETING: November 7, 2013 /45 mins.

INFORMATION: X

PRESENTER(S): Ed Derman

PURPOSE

This item presents an analysis of the results from the 2013 Retirement Readiness Assessment with comparisons to results from the 2011 and 2008 Assessments.

BACKGROUND

The 2013 Assessment is the third iteration of an initiative set forth by the Benefits and Services Committee at its October 2007 meeting to evaluate the overall financial status and future needs of CalSTRS members. CalSTRS commissioned Thomas/Ferrous, Inc., who partnered with Q&A Research, Inc., to conduct the survey and analyze the results. The [2011 Assessment](#) was presented in September 2011 and the [2008 Assessment](#) was presented in April 2008.

METHODOLGY

The 2013 Assessment was conducted between May 2013 and June 2013. A random sample of active and retired CalSTRS members received either an email invite to a web-based survey or a survey in the mail, and respondents had approximately four weeks to return their response.

HIGHLIGHTED FINDINGS

- 71 percent of active members have a target age for retirement, which is similar to 70 percent in 2011, but significantly higher than 57 percent in 2008. The average target retirement age of 61 is consistent with 2011 and 2008 findings.
- 73 percent of active members have begun to plan for retirement, which is a decrease from 82 percent in 2011 and 87 percent in 2008. The national average of active workers who have begun to plan for retirement is 42 percent.
- 43 percent of active members have consulted with a professional financial planner, which is a decrease from 49 percent in 2011 and 51 percent in 2008. The national average of active workers who have consulted with a professional financial planner is 23 percent.

- Active member concerns about retirement decreased in 2013 following an uptick in 2011. The ability to afford medical expenses in retirement remains the top concern, followed by maintaining their standard of living, and the financial viability of CalSTRS and Social Security.
- 87 percent of active members have a voluntary retirement savings plan, such as an IRA or 403(b), which is unchanged from 2011 and 2008. The national average of retirement plan ownership among active workers is 45 percent.
- 69 percent of active members own an IRA and contribute an average of \$1,450 annually, which is similar to \$1,530 in 2011, but a significant decrease from \$1,820 in 2008. This reduction may reflect the impact of increased financial anxiety for CalSTRS members since the 2008 financial downturn.
- 60 percent of active members participate in their employer-sponsored voluntary retirement savings plan and contribute an average of \$6,000 annually, which is similar to \$6,200 in 2011 (the average was not measured in 2008).
- Active members with a voluntary retirement savings plan have an average balance of \$117,400, which is an increase over the \$115,300 in 2011, but a significant decrease from \$138,600 in 2008. The average balance nationally for voluntary retirement savings plans is about \$40,000.
- Active members cited mortgage payments, paying for college, and providing for dependent children as the top impediments to saving voluntarily for retirement, which is unchanged from 2011 and 2008.
- 35 percent of active members anticipate earning enough credits (10 or more years) from non-CalSTRS employment to qualify for a Social Security benefit, which is a decrease from 38 percent in 2011 and 36 percent in 2008. However, 63 percent of retired members actually earn a Social Security benefit—although the largest percentage of these recipients (38 percent) receives less than \$250 per month.
- 56 percent of active members do not know if the Windfall Elimination Provision will affect their Social Security benefits, and 63 percent do not know if the Government Pension Offset will affect their Social Security benefits. These results are an increase over the 54 percent and 55 percent, respectively, reported in 2011 (the “do not know” option was not offered in 2008).
- 41 percent of active members are unaware of the post-retirement health insurance coverage available through their current employer, which is an increase over the 35 percent in 2011 and 37 percent in 2008.

- 80 percent of active members own their home, which is a decrease from 83 percent in 2011 and 86 percent in 2008. 92 percent of retired members own their home, which is unchanged from 2011 and 2008. National homeownership is 65 percent and California homeownership is 55 percent.
- 7 percent of active members currently have a loan outstanding from their voluntary retirement savings plan, which is unchanged from 2011 (loans from retirement plans were not surveyed in 2008).

WHERE CALSTRS CAN HELP FURTHER

- Continue communication that reinforces the need for members to learn about how the Windfall Elimination Provision and Government Pension Offset may impact them. The segment of members unaware of the impact of the Social Security offsets has not reduced since 2011. Further analysis may need to be done to determine the most effective way to encourage member self-discovery in this area.
- Continue communication that reinforces the need for members to learn about the postretirement health benefits offered by their employer. Members' concern over their ability to afford medical expenses in retirement remains high, yet the segment of members unaware of the postretirement health benefits offered by their employer has not reduced since 2011. Further analysis may need to be done to determine the most effective way to encourage member self-discovery in this area.

CALSTRS

Teachers' Retirement Board
Benefits and Services Committee

2013 Retirement Readiness Assessment Report

INTRODUCTION

The 2013 CalSTRS Retirement Readiness Assessment is the third iteration of an initiative that began in 2008 to evaluate the overall financial status and future needs of CalSTRS members to serve as one of several resources to help guide changes in programs and policy.

CalSTRS commissioned Thomas/Ferrous, Inc., who partnered with Q&A Research, Inc., to conduct the survey and analyze the results. The 2011 Assessment was presented in September 2011 and the 2008 Assessment was presented in April 2008.

METHODOLOGY

The 2013 Assessment was conducted between May 2013 and June 2013. A mixed methodology of web and mail surveys was used to assess a total of 5,977 CalSTRS members. A random sample of active and retired CalSTRS members received either an email invite to a web-based survey (if CalSTRS had an email address listed for the member) or a survey in the mail (if CalSTRS did not have an email address listed for the member) and respondents had approximately four weeks to return their response.

To obtain a representative snapshot of CalSTRS member population, age deciles among active members and service years among retired members were targeted to ensure all segments of the membership were surveyed. Response data was weighted so the results accurately represent these segments in CalSTRS member population.

The weighted percentages are shown in Table 1 on the following page.

TABLE 1 – Age and Service Segments with Response Counts and Weights

Segment	Paper-Based Mail Surveys Sent	Paper-Based Mail Surveys Completed	Weighted %	Web-Based Email Surveys Sent ²	Web-Based Email Surveys Completed ¹	Weighted %
Active under 30	15,168	225	4%	4,994	127	1%
Active 30 to 39	14,000	243	14%	19,851	400	11%
Active 40 to 49	8,499	262	15%	19,793	400	15%
Active 50 to 59	4,500	260	12%	19,803	400	16%
Active 60+	3,362	251	4%	19,772	400	8%
Retired <15 years of service	2,670	342	5%	19,711	400	12%
Retired 15 to 24 years of service	2,000	312	8%	19,616	400	17%
Retired 25 to 34 years of service	1,998	389	13%	19,493	400	26%
Retired 35+ years of service	1,600	366	6%	19,439	400	14%

¹The number of completed surveys was limited to 400 per group.

²The number of emails sent to the Active under 30 group represents the total number of emails that CalSTRS had on file for this group.

Statistical testing was conducted at a 95 percent confidence level, which is a common interval for statistical testing that results in a margin of error of plus-or-minus 5 percent.

DETAILED FINDINGS

Employment

For active members, CalSTRS-covered employment is the primary source of income in 2013. Specifically, 85 percent of active members have no other employment outside of their role as a classroom educator or school administrator. This figure is similar to the 83 percent reported in 2011 and the 84 percent reported in 2008.

Detailed findings are shown in Table 2 on the following page.

TABLE 2 – Active Member Additional Employment and Contribution to Total Income

Additional Employment (Active)	2008 n=527	2011 n=3,711	2013 n=2,915
Other private sector employment	8%	9%	7%
Private educational institution	2%	3%	2%
Nonprofit organization	3%	2%	2%
California State University or University of California	1%	1%	1%
Other public sector employment	2%	3%	3%
No other employment	84%	83%	85%
% of Total Individual Income Additional Employment Provides	n=NA	n=NA	n=431
Less than 25%	NA	NA	77%
25% to 50%	NA	NA	10%
51% to 75%	NA	NA	6%
More than 75%	NA	NA	7%

Q2 (A). If you have employment in addition to your CalSTRS-covered employment, what type of business do you work for?

Base: Total Active members answering.

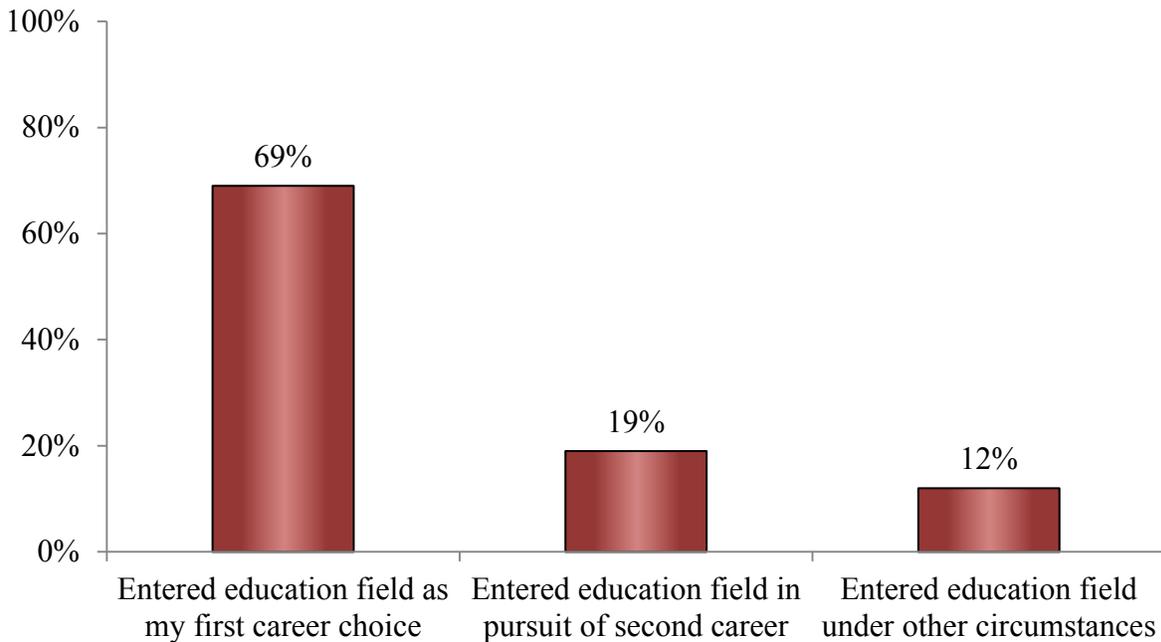
Q3 (A). What percentage of your total individual income does this additional employment provide?

Base: 2013 Active members who have other employment in addition to their CalSTRS-covered employment answering.

Given the tendency for active members to rely on CalSTRS-covered employment as their primary source of income, it is evident that CalSTRS has a significant presence in shaping their retirement during their working years.

Additionally, with regard to beginning a career in education, the majority of active members entered the field of education as their first career choice, while smaller percentages entered the field as a second career choice or under other circumstances. This topic is new for the 2013 Assessment and the results are shown in Figure 1 on the following page.

FIGURE 1 – Start of Career in Education (Active)



Q4 (A). By what circumstances did you enter the education field as a career?
Base: Total 2013 Active members answering. (n=2,848)

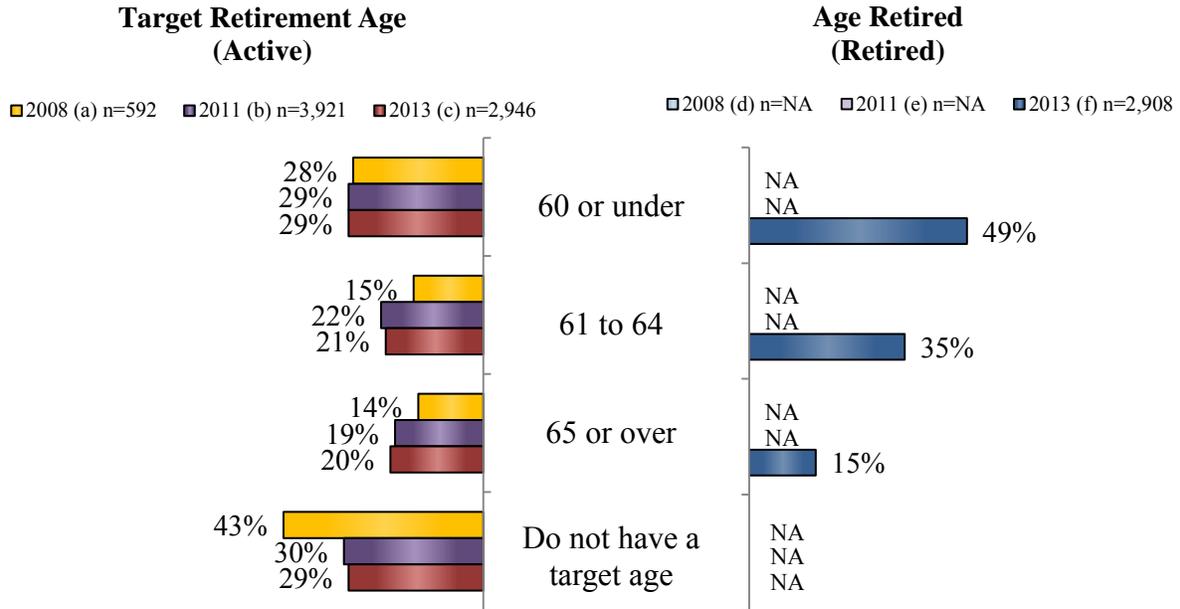
Target Age for Retirement

Nearly three-quarters (71 percent) of active members in 2013 have a target age for retirement. This finding is similar to the 70 percent reported in 2011, but significantly higher than 57 percent in 2008. The average target retirement age of 61 is consistent with 2011 and 2008 findings.

Research from a variety of disciplines—business, psychology, physical fitness, and so on—suggests that setting a goal is an important step toward success in any endeavor. Thus, it is noteworthy that the majority of active members have a target age for retirement.

Figure 2 on the following page shows the target retirement age for active members and the actual retirement age for retired members.

FIGURE 2 – Target Retirement Age (Active) and Actual Retirement Age (Retired)



Q5 (A). At what age do you plan to retire or discontinue working for a CalSTRS employer?

Q29 (R). In what year did you retire?

Base: Total Active members and total 2013 Retired members answering.

Reasons for Retirement Age Targets

Active members in 2013 chose their target retirement age primarily because it is expected to be the age at which they will be financially prepared (39 percent). This percentage is similar to 40 percent in 2011 and 36 percent in 2008, and it is the most common response for all three surveys. A response of “other” is the second most common reason cited for their target retirement age (22 percent) and is significantly lower than 26 percent in 2011, but similar to 21 percent in 2008.

Interestingly, 5 percent of active members in 2013 chose, “want to pursue a second career or other income opportunities,” as the reason for their target retirement age. This option is new for the 2013 Assessment and it is possible this 5 percent is a subset of the members who had responded to “other” in previous surveys.

Retired members in 2013 also cite financial preparedness as the primary reason for their retirement age, with 24 percent providing such a response, which is consistent with 2011 and 2008 results. In this year’s assessment and in 2011, retired members could respond that they retired when they did because they were concerned that CalSTRS would not have sufficient funds to pay their benefits. Only three retired members gave such a response in 2013, and only two answered as such in 2011, suggesting that the funding gap is not a compelling reason for members to choose retirement when they did.

Table 3 below shows the full list of reasons behind active members' target retirement age, and the reasons why retired members picked their retirement age.

TABLE 3 – Reasons for Target Retirement Age (Active) and for Retirement (Retired)

Reasons for Target Retirement Age	Active			Retired		
	2008 n=326	2011 n=2,724	2013 n=2,033	2008 n=597	2011 n=2,121	2013 n=2,837
The age at which will be financially prepared for retirement	36%	40%	39%	38%	25%	24%
The earliest age will be eligible for retirement	23%	13%	17%	15%	8%	8%
The age will become eligible for a CalSTRS benefit enhancement	NA	11%	9%	NA	7%	7%
Spouse or partner intends to retire at the same time	13%	9%	7%	11%	6%	6%
Want to pursue a second career or other income opportunities	NA	NA	5%	NA	NA	3%
Not happy in job anymore and ready to leave the workplace	NA	NA	NA	22%	13%	13%
Employer provided a retirement incentive that enticed me to retire	NA	NA	NA	19%	13%	13%
Health concerns forced into retirement	NA	NA	NA	13%	9%	8%
Had to retire to provide care for someone else	NA	NA	NA	6%	4%	4%
Unexpected financial opportunity that made retirement possible	NA	NA	NA	6%	3%	3%
Other	21%	26%	22%	14%	12%	12%

Q6 (A). What is the primary reason that you plan to retire or discontinue working for a CalSTRS employer at that age?

Base: Active members who have a target age for retirement answering.

Q7 (R). What was the primary reason you retired at the age you did?

Base: Total Retired members answering.

Additionally, 73 percent of active members have begun to plan for retirement, which is a decrease from 82 percent in 2011 and 87 percent in 2008. According to the Employee Benefits Research Institute¹—a nonprofit public policy research firm that conducts an annual study gauging the views and attitudes of working-age and retired Americans regarding retirement—42 percent of active workers have calculated a retirement savings need (planned for retirement).

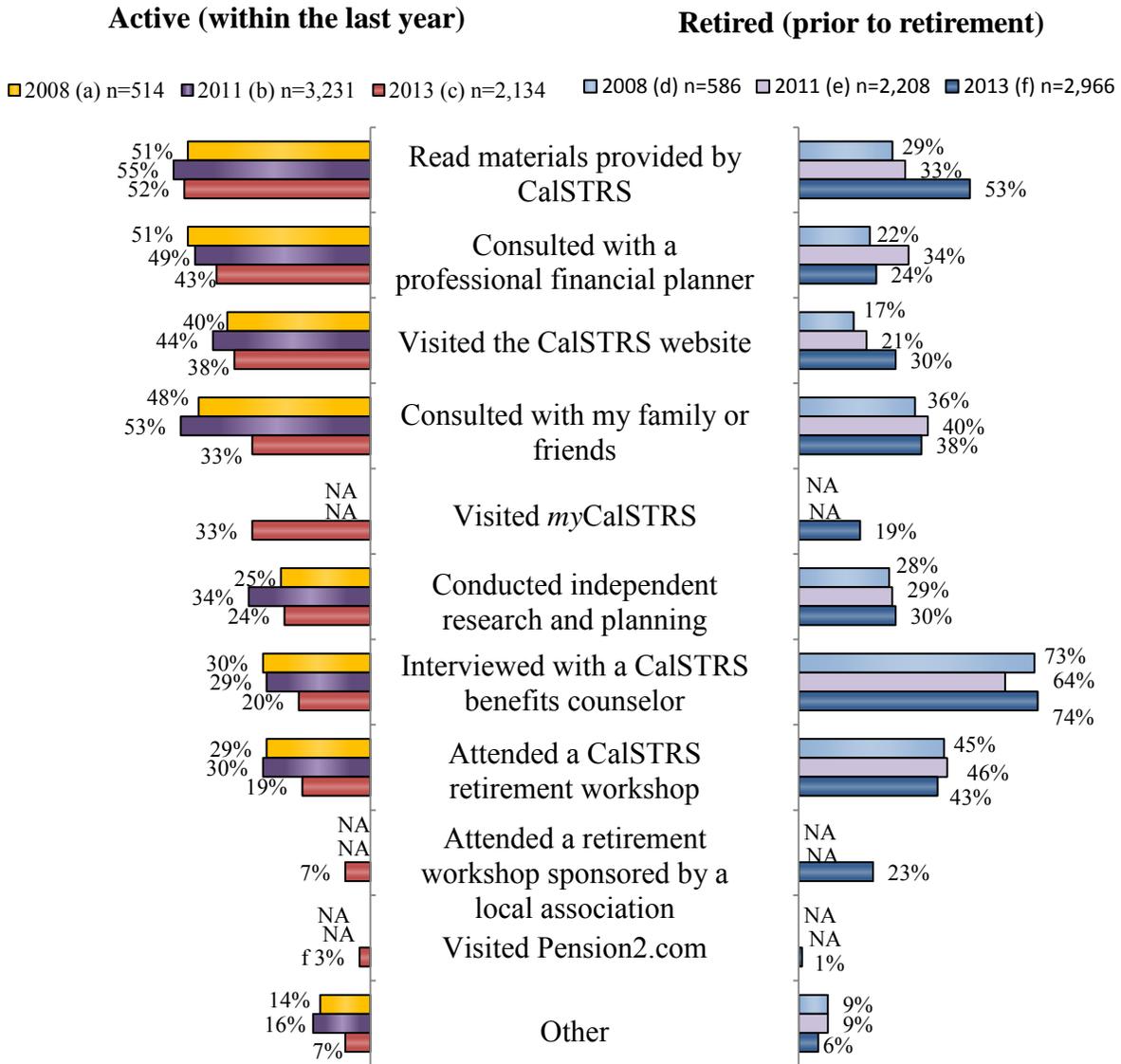
¹ See the Employee Benefits Research Institute report: *2013 Retirement Confidence Survey* (page 18). http://www.ebri.org/pdf/surveys/rcs/2013/EBRI_IB_03-13.No384.RCS.pdf

This suggests that, compared to the national working population, CalSTRS active members are more proactive about retirement planning.

Actions Taken to Plan for Retirement

Figure 3 on the following page shows the actions within the last year of the 73 percent of active members who have started retirement planning, as well as the actions of retired members prior to retirement. The primary action taken by more than 50 percent of active members was to read materials provided by CalSTRS, which is consistent with 2011 and 2008. Retired members also cited this as their primary action, and the 53 percent in 2013 is a statistically significant increase over the 33 percent in 2011 and 29 percent in 2008. This suggests efforts since 2011 to increase readership amongst pre-retired members had success. Lastly, there is a noticeable decrease overall in actions taken by active members in 2013.

FIGURE 3 – Actions Taken to Plan for Retirement



Q7 (A). What actions have you taken to plan for retirement within the last year?

Q2 (R). What actions did you take to plan for your retirement?

Base: Total members who started planning for retirement answering.

Further analysis shows that, not surprisingly, older members are more likely to take actions for retirement, as shown in Table 4 below.

TABLE 4 – Top Retirement Planning Actions in 2013 by Age (Active)

Top Most Often Actions Taken to Plan for Retirement	Active under 30 n=190	Active 30 to 39 n=417	Active 40 to 49 n=427	Active 50 to 59 n=549	Active 60+ n=563
Read materials provided by CalSTRS	36%	47%	50%	56%	59%
Consulted with a professional financial planner	46%	50%	45%	40%	39%
Visited the CalSTRS website	27%	27%	36%	46%	46%
Interviewed with a CalSTRS benefits counselor	5%	6%	7%	30%	49%
Attended a CalSTRS retirement workshop	3%	10%	13%	25%	33%

Q7 (A). What actions have you taken to plan for retirement within the last year?

Q2 (R). What actions did you take to plan for your retirement?

Base: Total members who started planning for retirement answering.

Professional Financial Planner Consultation

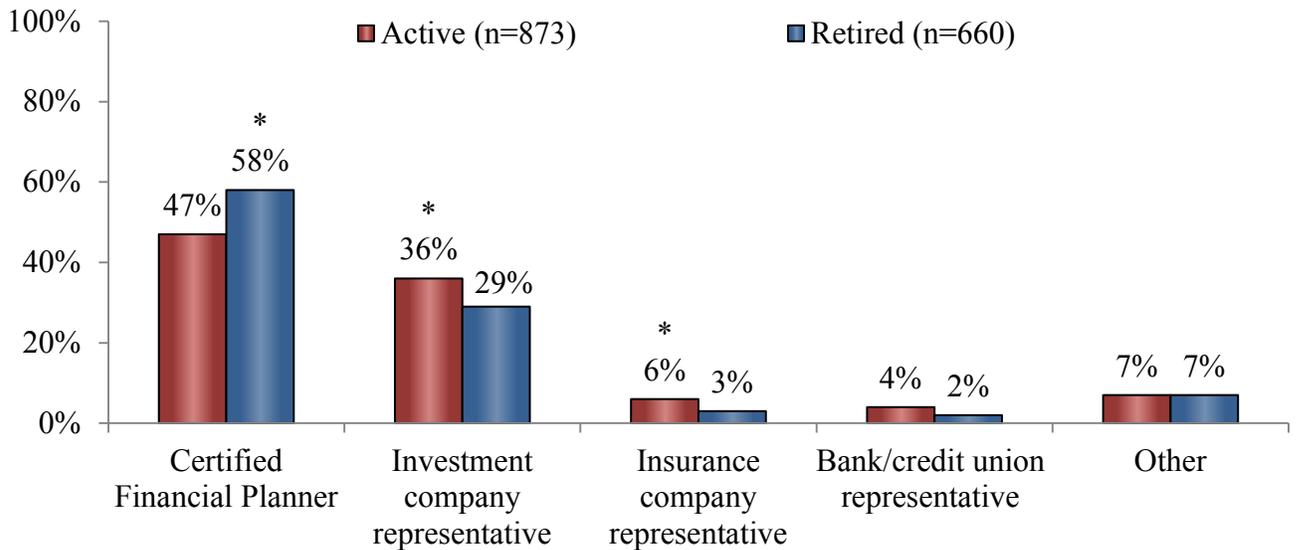
For members who consulted with a professional financial planner as part of their retirement planning (43 percent of active members and 24 percent of retired members), Certified Financial Planners were the most common type for both active and retired members—but significantly more so for retired members (58 percent) than active members (47 percent), as shown in Figure 4 on the following page. In addition, active members are more likely to consult with investment (36 percent) and insurance company representatives (6 percent) than retired members (29 percent and 3 percent, respectively). Questions about financial planners were new for the 2013 Assessment.

According to the Employee Benefits Research Institute², 23 percent of active workers and 28 percent of retired workers reported they obtained investment advice from a professional financial advisor. These results suggest CalSTRS active and retired members are more inclined to seek professional financial advice for retirement planning than the general working population.

² See the Employee Benefits Research Institute report: *2013 Retirement Confidence Survey* (page 24). http://www.ebri.org/pdf/surveys/rcs/2013/EBRI_IB_03-13.No384.RCS.pdf

Figure 4 below provides further detail about the types of financial planners that active and retired members consulted for retirement planning.

FIGURE 4 – Type of Financial Planner Consulted (Active and Retired)



*Denotes a statistically significant difference between active and retired members.

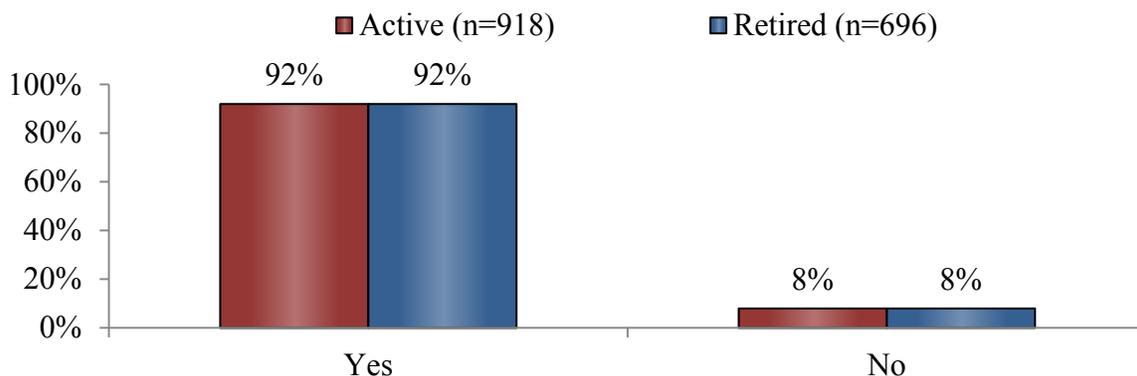
Q8 (A). What type of professional financial planner did you consult with?

Q3 (R). What type of professional financial planner did you consult with?

Base: 2013 members who consulted with a professional financial planner answering.

Moreover, 92 percent of both active and retired members considered their consultation with a professional financial planner to be valuable, which is shown below in Figure 5.

FIGURE 5 – Interaction with Financial Planner was Valuable (Active and Retired)



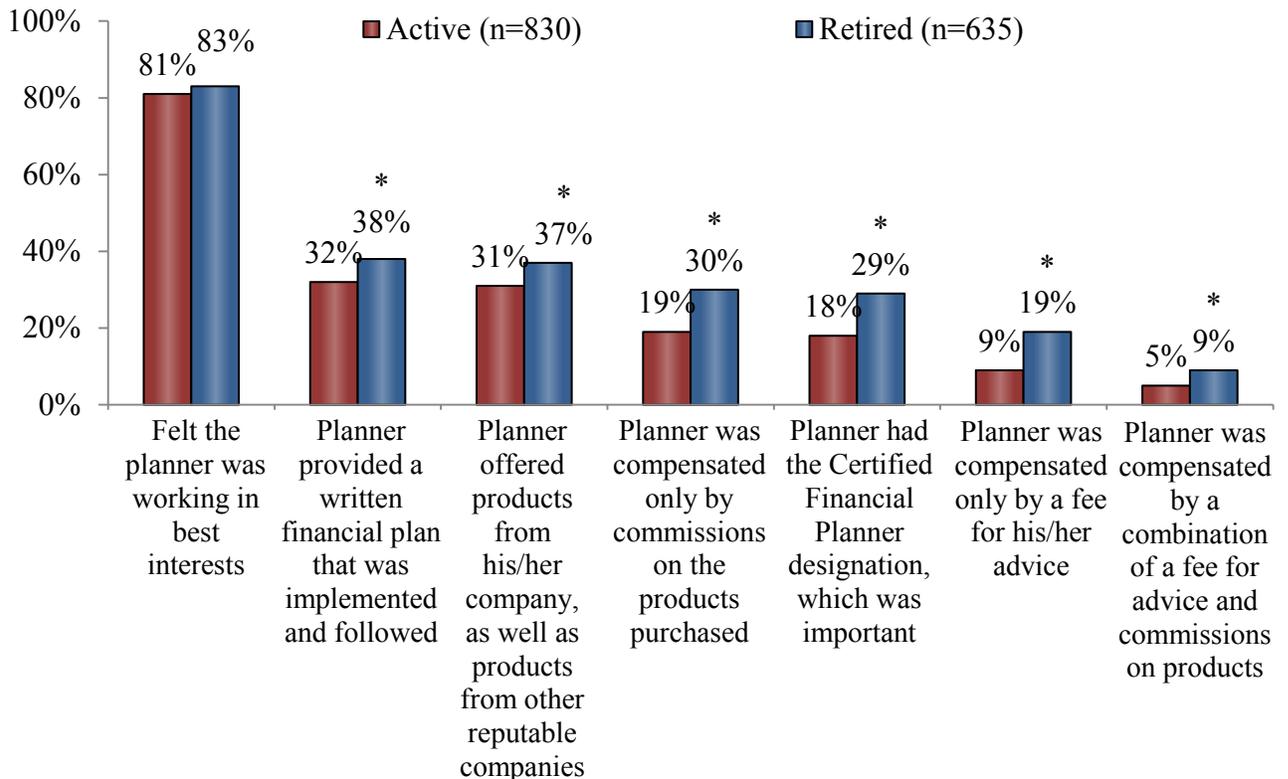
Q9 (A). Did you consider your interaction with the professional financial planner to be valuable in helping you make progress toward your retirement goals?

Q4 (R). Did you consider your interaction with the professional financial planner to be valuable in helping you achieve your retirement goals?

Base: 2013 members who consulted with a professional financial planner answering.

The primary reason that both active and retired members valued their consultation with a professional financial planner was they felt the planner had their best interests in mind. Retired members were more likely to cite additional factors as to why they valued their interaction with a financial planner, which is shown below in Figure 6. Respondents were asked to select all that applied.

FIGURE 6 – Reasons for Valuing Interaction with Professional Financial Planner (Active and Retired)



*Denotes a statistically significant difference between active and retired members.

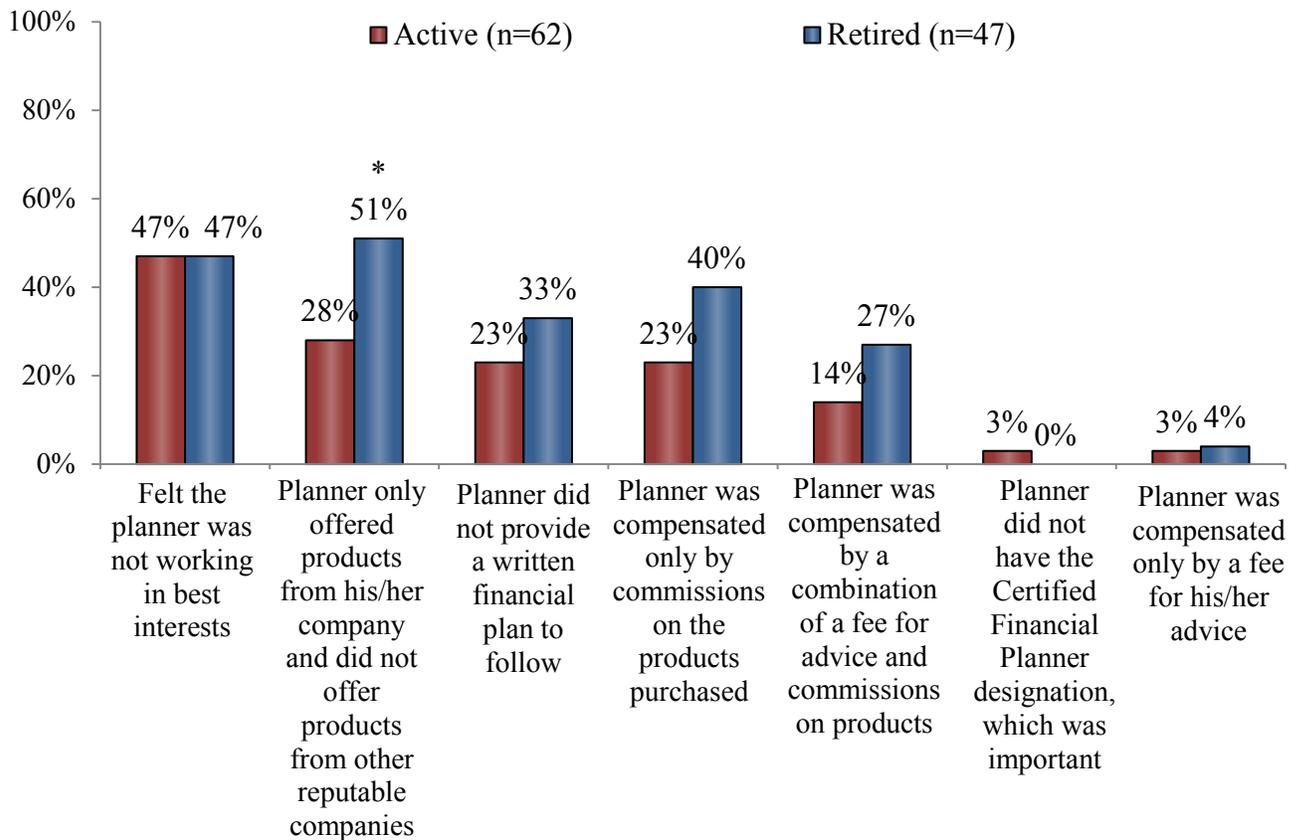
Q10 (A). Why was your interaction with the professional financial planner valuable?

Q5 (R). Why was your interaction with the professional financial planner valuable?

Base: 2013 members who considered their interaction with the professional financial planner to be valuable answering.

While only 8 percent of the sample did not find value in their interaction with a professional financial planner, the primary reason cited was the feeling the planner was not working in their best interest. Figure 7 below shows the reasons that active and retired members did not perceive value in their interaction with a professional financial planner. Respondents were asked to select all that applied.

FIGURE 7 – Reasons for Not Valuing Interaction with Professional Financial Planner (Active and Retired)



*Denotes a statistically significant difference between active and retired members.

Q11 (A). Why was your interaction with the professional financial planner not valuable?

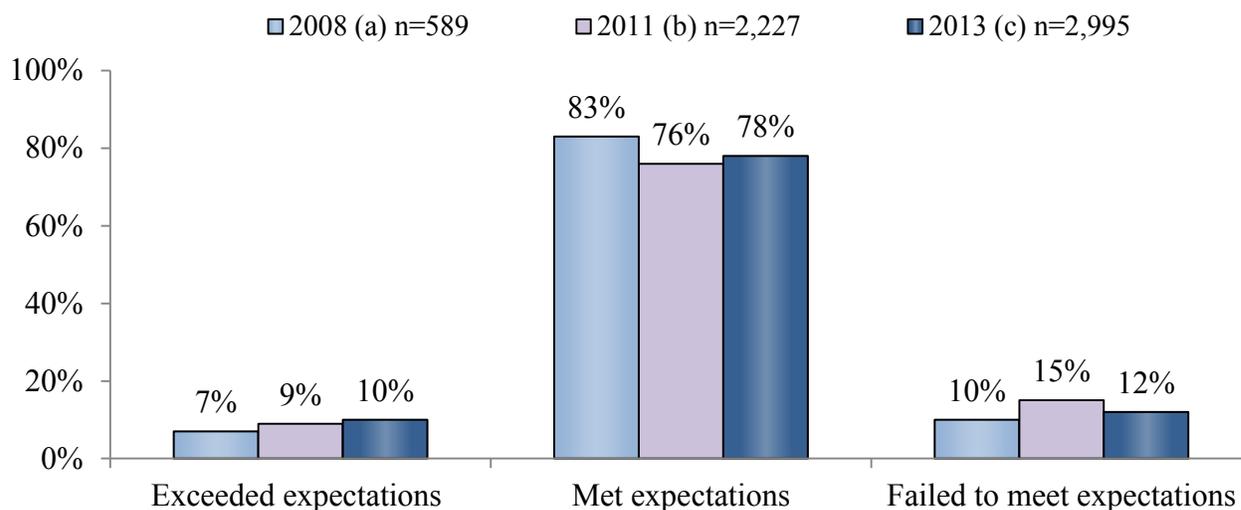
Q6 (R). Why was your interaction with the professional financial planner not valuable?

Base: 2013 members who did not consider their interaction with the professional financial planner to be valuable answering.

Retirement Expectations

As shown below in Figure 8, CalSTRS retirement benefits met the expectations of 78 percent of retired members, which is a statistically significant increase over 2011. Benefits exceeded expectations for 10 percent of retired members (a statistically significant increase over 2008), while failing to meet the expectations of 12 percent of members (a statistically significant decrease from 2011).

FIGURE 8 – Benefits Related to Standard of Living (Retired)



Q8 (R). How has your CalSTRS retirement benefit met your expectations in helping you maintain your standard of living?
Base: Total Retired members answering.

When prompted to further clarify the reasons for unmet expectations, retired members in 2013 responded as shown in Table 5 below (respondents were asked to select all that applied). Consistent with data from 2011, the most common reason retired member expectations were unmet by their CalSTRS benefit was it did not keep pace with the cost of living (57 percent), followed by it being less than they hoped it would be (44 percent).

TABLE 5 – Reasons for Unmet Expectations about Retirement Benefits

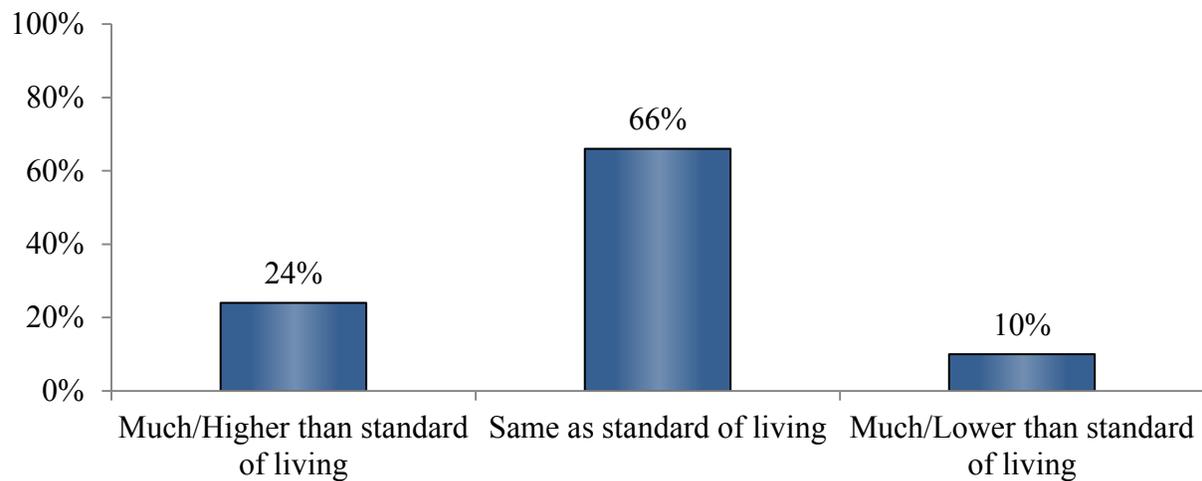
Reasons for Unmet Expectations	Retired	
	2011 n=330	2013 n=343
It does not keep pace with cost of living	61%	57%
It was less than I hoped it would be	42%	44%
It did not replace enough of the income I earned while working	38%	41%
Expenses in retirement were greater than expected	31%	26%

Q9 (R). Please indicate why your CalSTRS benefit has failed to meet your expectations.
Base: 2011 and 2013 Retired members who mentioned the CalSTRS retirement benefit failed to meet their expectations.

Moreover, two-thirds of retired members maintain a standard of living in retirement that is the same as their standard of living immediately prior to retirement.

For 24 percent of retired members, their standard of living has improved in retirement. This topic is new for the 2013 Assessment and the results are shown in Figure 9 below.

FIGURE 9 – Standard of Living in Retirement vs. Prior to Retirement



Q42 (R). How has your standard of living in retirement compared to immediately prior to retirement?
Base: Total 2013 Retired members answering. (n=2,971)

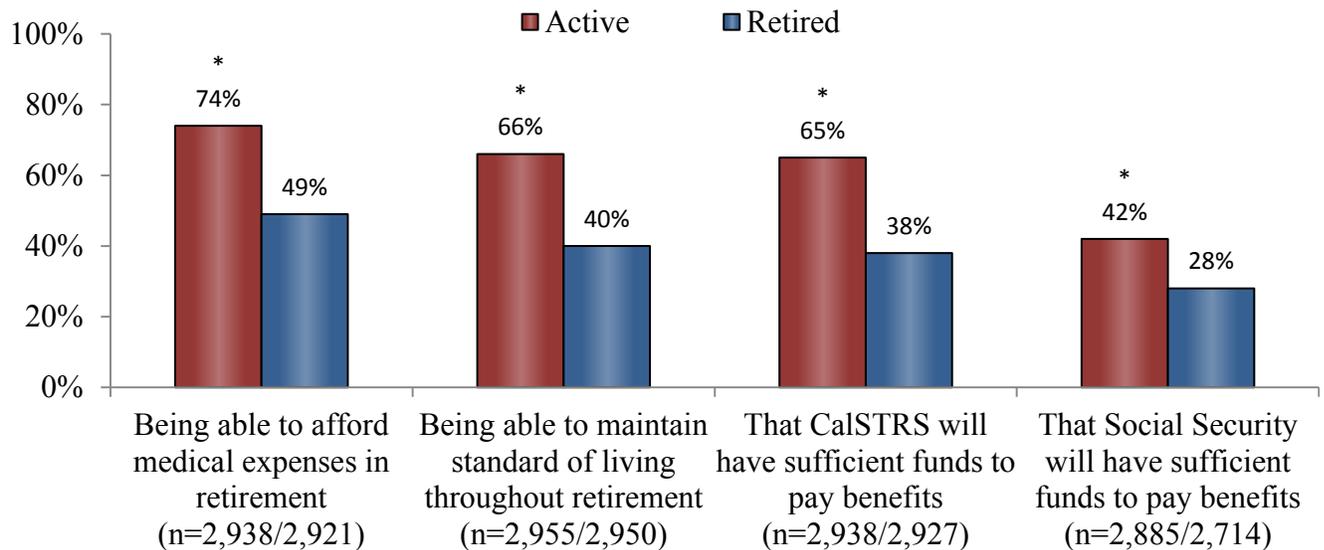
Concerns Regarding Retirement

Generally, active member concern decreased in 2013 following an uptick in 2011. For example, 74 percent are concerned about their ability to afford medical expenses in retirement, a decrease from 85 percent in 2011 and 83 percent in 2008. Moreover, 66 percent are concerned about maintaining their standard of living in retirement, a decrease from 77 percent in 2011 and 73 percent in 2008. Also, 65 percent are concerned that CalSTRS will have sufficient funds to pay benefits, a decrease from 77 percent in 2011 and 67 percent in 2008. Finally, 42 percent are concerned that Social Security will have sufficient funds to pay benefits, a decrease from 54 percent in 2011 and 55 percent in 2008.

Retired member concern also has trended downward since 2008. For example, 49 percent are concerned with their ability to afford medical expenses, a decrease from 54 percent in 2011 and 62 percent in 2008. Moreover, 40 percent are concerned about maintaining their standard of living, a decrease from 46 percent in 2011 and 57 percent in 2008. Also, 38 percent are concerned that CalSTRS will have sufficient funds to pay benefits, a decrease from 42 percent in 2011 and 47 percent in 2008. Finally, 28 percent are concerned that Social Security will have sufficient funds to pay benefits, a decrease from 37 percent in 2011 and 46 percent in 2008. Interestingly, the surveys continue to show greater concern among both active and retired members about the future of CalSTRS benefits than they have about the future of Social Security benefits.

Figure 10 below compares retirement concerns between active and retired members. The ability to afford medical expenses in retirement remains a top concern for all members in 2013. Aside from medical expenses, active members are significantly more worried than retired members about maintaining their standard of living, the financial viability of CalSTRS, and Social Security.

**FIGURE 10 – Financial Concerns Regarding Retirement (Active and Retired)
(Top-Two Box Ratings)³**



*Denotes a statistically significant difference between active and retired members.

Q12 (A). The following are some financial concerns you may have regarding your retirement. Please rate your level of concern.

Q10 (R). The following are some financial concerns you may have regarding your retirement. Please rate your level of concern.

Scale: 1=Very unconcerned; 7=Very concerned.

Base: Total 2013 members answering.

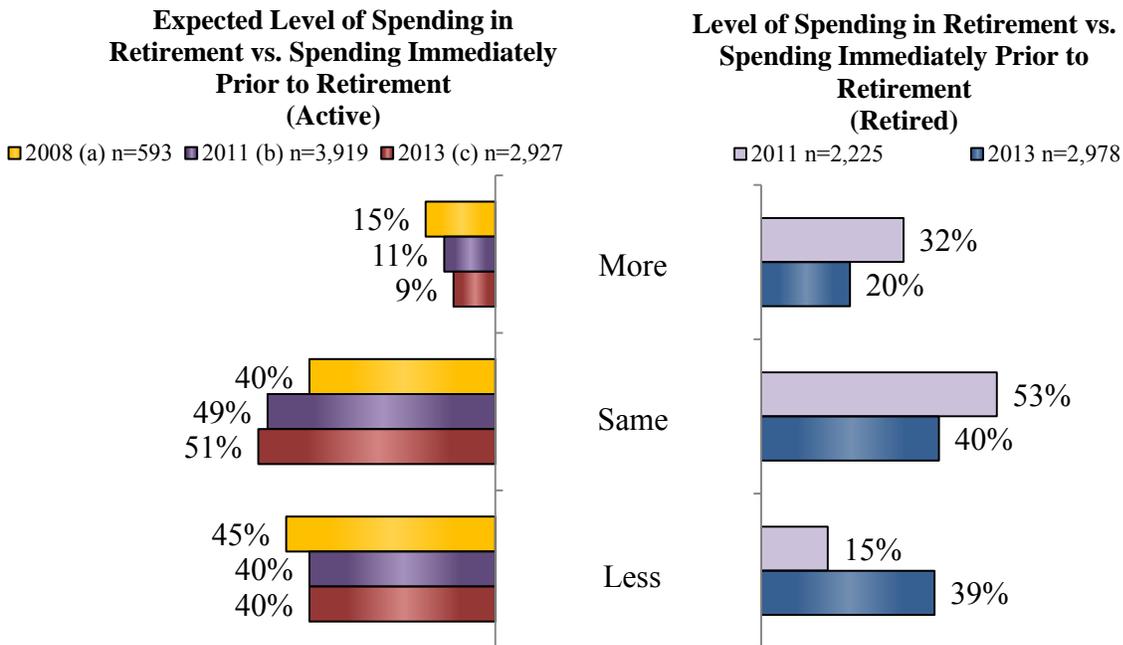
³ The 2011 and 2008 Assessments measured concern with a 10-point scale, while the 2013 Assessment measured concern with a 7-point scale to align with the current use of 7-point concern scales in CalSTRS surveys.

Spending in Retirement

Approximately 50 percent of active members expect to spend the same in retirement compared to spending prior to retirement, while 40 percent of active members expect to spend less in retirement.

In 2013, spending expectations for active members generally coincide with retired member actual spending levels, as shown in Figure 11 below. Retired members were not asked about their level of spending in 2008.

FIGURE 11 – Level of Spending in Retirement (Active and Retired)



Q13 (A). Do you expect your level of spending in retirement to be more, the same, or less than your level of spending immediately prior to retirement?

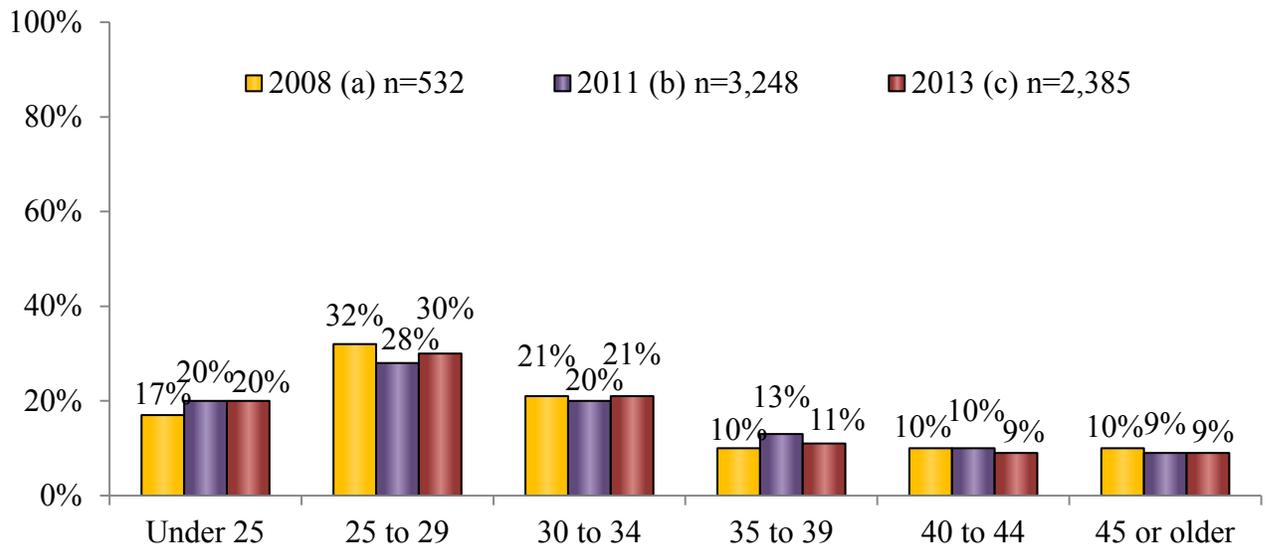
Q41 (R). Has your level of spending in retirement been more, the same or less than your level of spending immediately prior to retirement?

Base: Total Active members, and 2011 and 2013 Retired members answering.

Saving for Retirement

The ages active members began contributing to a voluntary retirement savings plan such as an IRA, 401(k), 403(b) or 457 have all remained stable since 2008 and are shown in Figure 12 below. The average age (age 31) at which active members began contributing also has not changed since 2008.

FIGURE 12 – Age Began Contributions to Voluntary Retirement Savings Plan (IRA, 401k, 403b, or 457) (Active)



Q14 (A). Approximately how old were you when you began contributing to a voluntary retirement savings plan, such as an Individual Retirement Account (IRA) or 401(k), tax-deferred annuity or 403(b), or 457 tax-deferred plan sponsored by your employer?

Base: Total Active members answering.

Retirement Plan Ownership and Annual Contribution Amounts

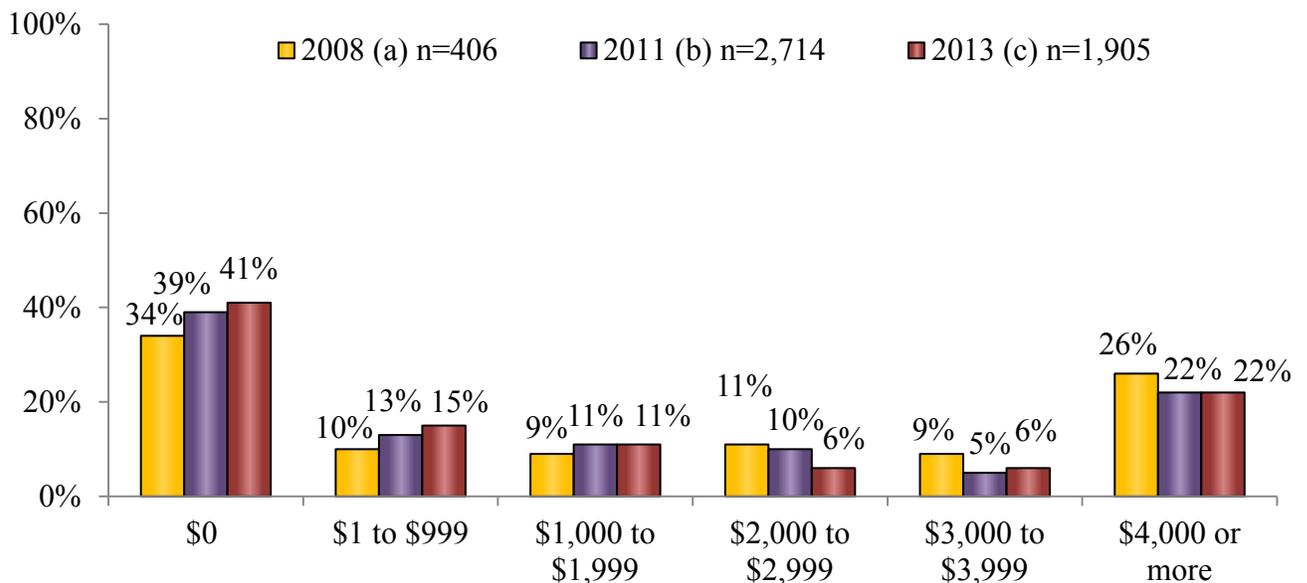
Currently, 87 percent of active members have a voluntary retirement savings plan such as an IRA or an employer-sponsored plan (401k, 403b or 457), which is unchanged from 2011 and 2008. According to a June 2013 study by the National Institute on Retirement Security⁴—a nonprofit public policy research firm—45 percent of working-age households do not own *any* retirement account assets. A comparison to the NIRS study suggests that CalSTRS active members nearly double the general working population in voluntary retirement savings plan ownership.

⁴ See the National Institute on Retirement Security report: *The Retirement Savings Crisis: Is It Worse Than We Think?* (page 8).

http://www.nirsonline.org/storage/nirs/documents/Retirement%20Savings%20Crisis/retirementsavingscrisis_final.pdf

More than half (69 percent) of active members own an IRA and 59 percent of these IRA owners contribute to it annually. The average annual IRA contribution is \$1,450, which is similar to \$1,530 in 2011, but a significant decrease from \$1,820 in 2008. The median annual contribution is \$620, which is similar to \$840 in 2011, but significantly lower than \$1,580 in 2008. These lower contributions since 2008 may reflect the impact that the 2008 financial downturn had on the ability and willingness of members to contribute to their future retirement needs at the expense of their current spending ability. Figure 13 below shows annual contributions by active members who own an IRA.

FIGURE 13 – Annual Contributions by IRA Owners (Active)



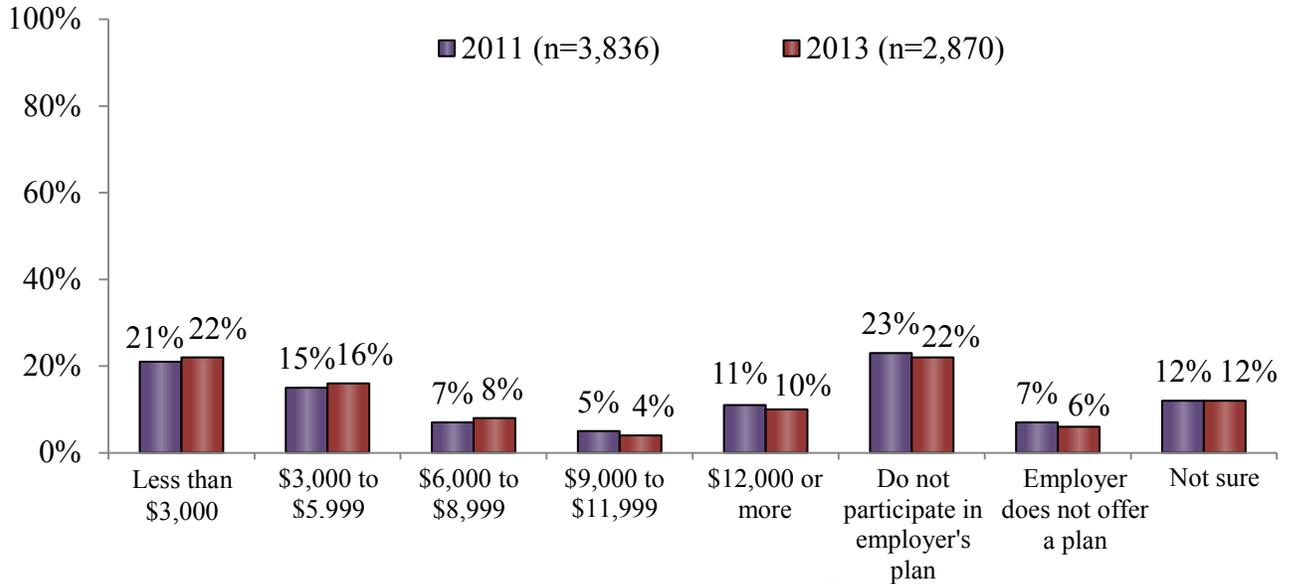
Q15 (A). How much do you contribute annually to your IRA?
 Base: Total Active members with an IRA answering.

More than half (60 percent) of active members participate in their employer-sponsored voluntary retirement savings plan, which is similar to 58 percent in 2011. Less than one-quarter (22 percent) of active members know their employer offers a plan, but choose not to participate (similar to 23 percent in 2011), while 6 percent indicate their employer does not offer a plan (similar to 7 percent in 2011). Finally, 12 percent are unsure if their employer offers a plan (unchanged from 2011). Employer-sponsored voluntary retirement savings plan participation was not measured in 2008.

The average annual contribution to an employer-sponsored retirement savings plan is \$6,000, which is similar to \$6,200 in 2011 (the average was not measured in 2008). The median annual contribution is \$4,530, which is similar to \$4,700 in 2011 (the median was not measured in 2008).

Figure 14 on the following page shows annual contributions by active members to employer-sponsored voluntary retirement savings plans.

FIGURE 14 – Annual Contributions to Employer-Sponsored Retirement Savings Plans (Active)



Q16 (A). How much do you contribute annually to a voluntary retirement savings plan offered by your employer (such as a tax-deferred annuity or 403(b) or 457 tax-deferred plan)?

Base: Total 2011 and 2013 Active members answering.

Accumulated Supplemental Retirement Savings

Active members with a voluntary retirement savings plan have an average balance of \$117,400, which is an increase over the \$115,300 in 2011, but a statistically significant decrease from \$138,600 in 2008. The median balance is \$63,400, an increase over the \$60,700 in 2011, but lower than \$75,700 in 2008. Recent research from the National Institute on Retirement Security⁵ and the Federal Reserve Board⁶ report the median balance of voluntary retirement savings plans for the general working population as either \$40,000 or \$44,000, respectively. Comparison to these median balances suggests active members have about \$20,000 more saved in voluntary retirement plans than the general working population. In addition, for many in the general population this may be their only retirement savings, while CalSTRS members also have their pension.

⁵ See the National Institute on Retirement Security report: *The Retirement Savings Crisis: Is It Worse Than We Think?* (page 12).

http://www.nirsonline.org/storage/nirs/documents/Retirement%20Savings%20Crisis/retirementsavingscrisis_final.pdf

⁶ See the Federal Reserve Board Bulletin (volume 98, number 2, June 2012): *Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances* (page 30).

<http://www.federalreserve.gov/pubs/bulletin/2012/PDF/scf12.pdf>

Table 6 below shows the total balance of all voluntary retirement savings plans for active and retired members.

TABLE 6 – Total Balance of All Voluntary Retirement Savings Plans (Active and Retired)

Amount	Active			Retired		
	2008 n=578	2011 n=3,283	2013 n=2,409	2008 n=570	2011 n=1,738	2013 n=2,795
\$0	3%	5%	6%	9%	1%	4%
\$1 to \$49,999	28%	38%	38%	16%	14%	14%
\$50,000 to \$99,999	21%	20%	23%	13%	17%	15%
\$100,000 to \$199,999	15%	16%	17%	20%	22%	19%
\$200,000 to \$299,999	9%	7%	8%	11%	14%	12%
\$300,000 to \$399,999	3%	4%	4%	5%	8%	8%
\$400,000 to \$499,999	2%	2%	2%	4%	5%	5%
\$500,000 to \$999,999	3%	2%	2%	4%	6%	6%
\$1 million or more	1%	0%	1%	1%	1%	2%
Don't know	14%	6%	0%	18%	14%	14%
Mean	\$138,600	\$115,300	\$117,400	\$178,300	\$219,400	\$223,100
Median	\$75,700	\$60,700	\$63,400	\$120,000	\$154,900	\$149,600

Q17 (A). What is the current total balance of all of your voluntary retirement savings plans—including IRAs and employer-sponsored plans, such as a 401(k), tax-deferred annuity or 403(b), 457 tax-deferred plan, money purchase or profit sharing plan, but not including other personal savings or investments?

Q11 (R). What, if any, was the total approximate balance of all of your voluntary retirement savings plans at the time of your retirement—including IRAs and employer-sponsored plans, such as a 401(k), tax-deferred annuity or 403(b), 457 tax-deferred plan, money purchase or profit sharing plan, but not including other personal savings and investments?

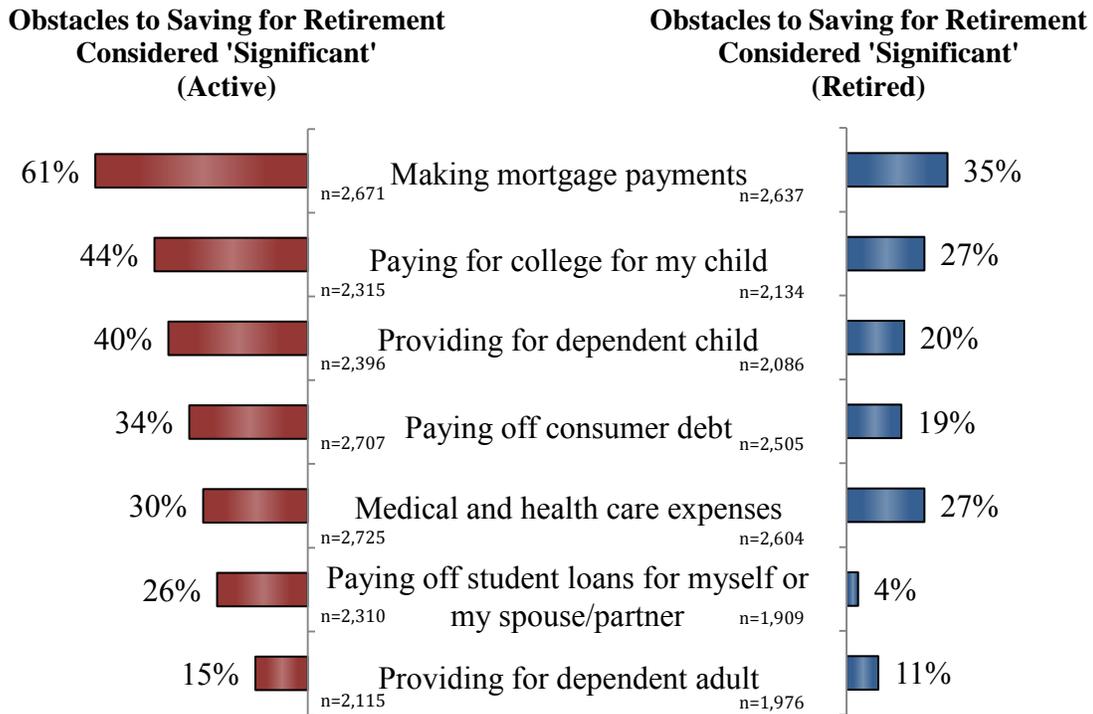
Base: Members who have a voluntary retirement savings plan answering.

Obstacles to Saving for Retirement

Active members in 2013 cited mortgage payments, paying for college, and providing for dependent children as the top impediments to saving voluntarily for retirement, which is unchanged from 2011 and 2008. Retired members in 2013 mostly mirrored these rankings, but are more acutely concerned with health care costs. Mortgage payments rank as the highest obstacle, most likely because it is the largest household expense. These rankings are consistent with 2011 and 2008 results.

Figure 15 on the following page compares active and retired member obstacles to saving for retirement.

FIGURE 15 – Obstacles to Saving for Retirement (Active and Retired)



Q18 (A). How significant of an obstacle are each of the following financial obligations in preventing you from saving sufficiently for retirement?

Q12 (R). How significant of an obstacle were each of the following financial obligations in preventing you from saving sufficiently for retirement?

Scale: 1=Not at all an obstacle; 4=Serious obstacle.

Base: Total 2013 members answering.

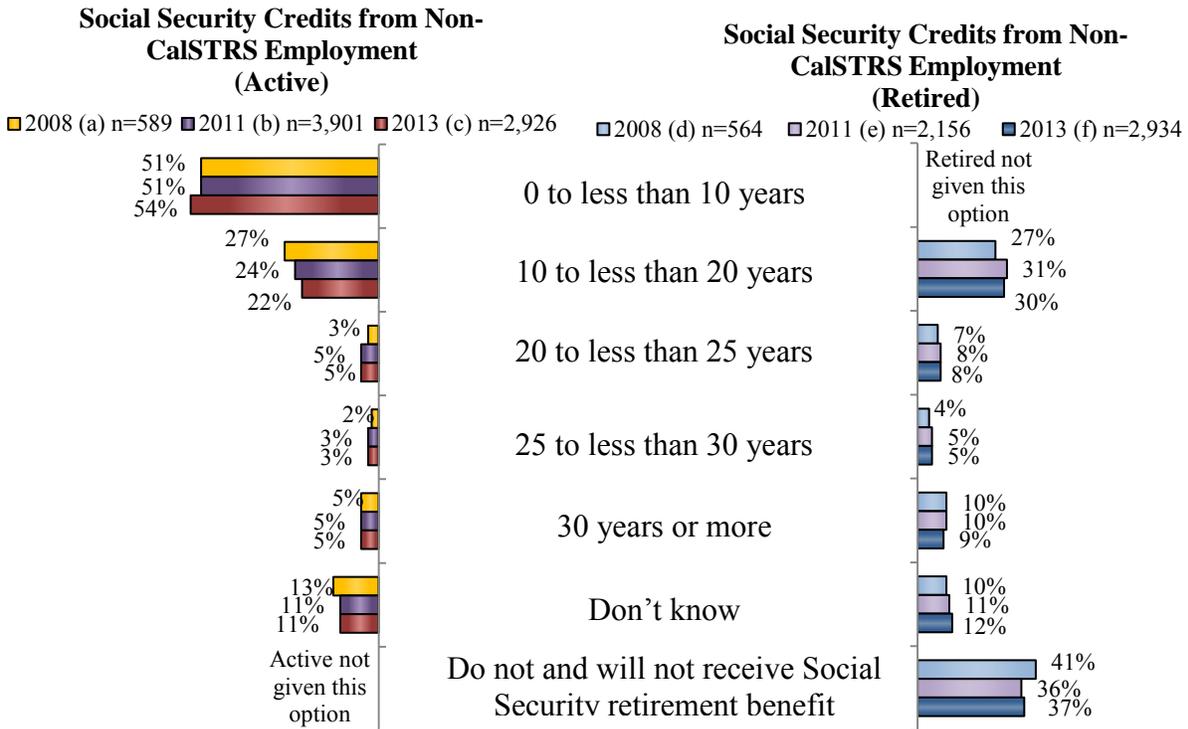
Social Security and Offsets

More than one-third (35 percent) of active members anticipate earning enough credits (10 or more years) from non-CalSTRS employment to qualify for a Social Security benefit, which is a decrease from 38 percent in 2011 and 36 percent in 2008. However, 63 percent of retired members actually earn a Social Security benefit—yet the largest percentage of these recipients (38 percent) receives less than \$250 per month.

Figure 16 on the following page shows the Social Security credits active members expect to earn from non-CalSTRS employment and the actual number of credits on which retired members' Social Security benefits are based.

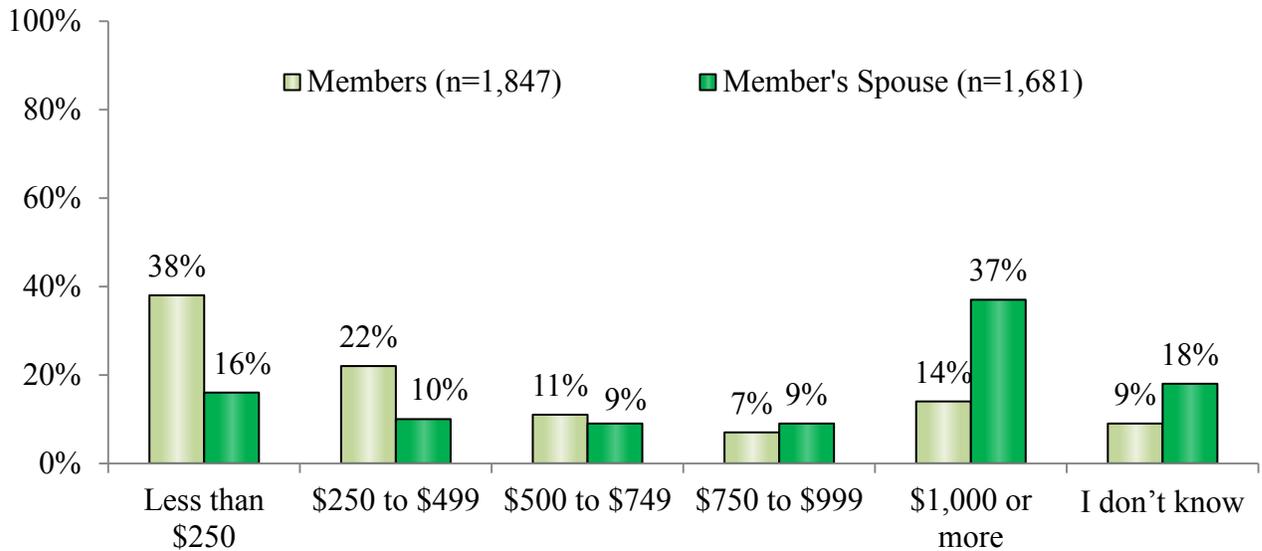
Also, Figure 17 on the following page shows the monthly Social Security benefit amount received by retired members and their spouses. Questions about the amount of Social Security benefits for members and their spouses were new for the 2013 Assessment.

FIGURE 16 – Expected (Active) and Actual (Retired) Social Security Credits



Q20 (A). Approximately how many years of Social Security credits do you anticipate you will have earned from other employment (not covered by CalSTRS) by the time you retire?
 Q14 (R). Approximately how many years of credits is (or will) your Social Security benefit (be) based on?
 Base: Total members answering.

FIGURE 17 – Monthly Amount of Social Security Benefit (Retired)



Q15 (R). Approximately what is (or will be) the monthly amount of your Social Security benefit?
 Base: 2013 Retired members who are (or will be) receiving a Social Security retirement benefit.
 Q17 (R). Approximately what is (or will be) the monthly amount of your spouse's Social Security benefit?
 Base: 2013 Retired members whose spouses receive or will receive a Social Security retirement benefit answering.

Over half (56 percent) of active members do not know if the Windfall Elimination Provision will affect their Social Security benefits, and 63 percent do not know if the Government Pension Offset will affect their Social Security benefits. These results are an increase over the 54 percent and 55 percent, respectively, reported in 2011 (the “do not know” option was not offered in 2008).

Among retired members, 41 percent indicate their spouse’s or their own Social Security benefit has or will be reduced because of the Windfall Elimination Provision, while 26 percent indicate their spouse’s or their own Social Security benefit has or will be reduced because of the Government Pension Offset. These results are both a statistically significant decrease from 2011 and 2008.

CalSTRS does not directly control the nature of Social Security offsets, or which members are affected by these offsets. However, when over half of active members and a third of retired members are unaware if the Windfall Elimination Provision or Government Pension Offset will affect them, CalSTRS should continue communication about these offsets to encourage members to learn about these topics and how they may fit into their retirement plans. CalSTRS should also continue to evaluate new ways to educate members on these issues.

Table 7 below shows active members’ expectations of, and the actual impact to retired members by, the Social Security offsets.

TABLE 7 – Expected (Active) and Actual (Retired) Impact of Social Security Offsets

Social Security Offset	Active			Retired		
	2008 n=576	2011 n=3,820	2013 n=2,902	2008 n=248	2011 n=1,261	2013 n=2,601
Windfall Elimination Provision						
Yes	58%	29%	27%	50%	46%	41%
No	42%	17%	16%	50%	22%	26%
Don’t know	NA	54%	56%	NA	33%	32%
Government Pension Offset	n=564	n=3,747	n=2,803	n=234	n=1,176	n=2,457
Yes	44%	16%	15%	44%	31%	26%
No	56%	29%	21%	56%	36%	30%
Don’t know/Not married	NA	55%	63%	NA	33%	44%

Q22 (A). As a member of CalSTRS you do not pay into Social Security. As a result, when you retire and receive a CalSTRS retirement benefit, your Social Security benefits may be subject to certain offsets. Please indicate whether or not you expect to be affected by the following offsets.

Q18 (R). As a member of CalSTRS you did not pay into Social Security. As a result, if you receive Social Security benefits, those benefits may be subject to certain offsets. Please indicate whether or not your Social Security benefit or spousal benefit is or will be reduced by the following offsets.

Base: Total members answering.

Health Insurance in Retirement

Forty-one percent of active members remain unaware of the post-retirement insurance coverage available through their current employer, which is an increase over the 35 percent in 2011 and 37 percent in 2008.

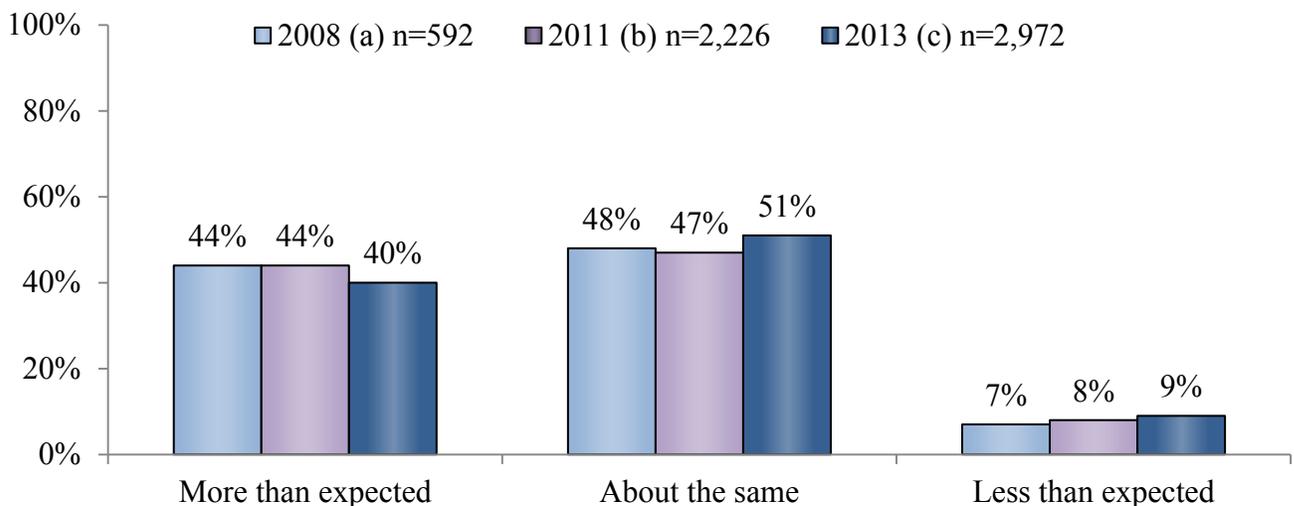
Access to health coverage for retired members is good as 99 percent have health insurance, although 25 percent rely on Medicare as their only source of health insurance.

A majority (51 percent) of retired members find their health care expenditures are about the same as what they had expected prior to retirement. However, 40 percent report their health care costs are higher than expected, as shown in Figure 18 below.

While CalSTRS does not offer health insurance coverage in retirement, it can help guide members to learn about the options available to them through its publications and communication channels. When 74 percent of active members are concerned about their ability to pay medical expenses in retirement (see Figure 10), yet one-third percent are still unaware of the coverage their current employer offers in retirement, this suggests communication should continue to encourage members to be proactive in their research of this topic.

Although CalSTRS is not primarily responsible for advice about health insurance, when the message comes from a trusted and reputable source such as CalSTRS, it can help provide the necessary motivation for members to seek answers and possibly alleviate some concern about paying for medical expenses in retirement.

FIGURE 18 – Actual Health Care Spending in Retirement Compared to Expectations (Retired)



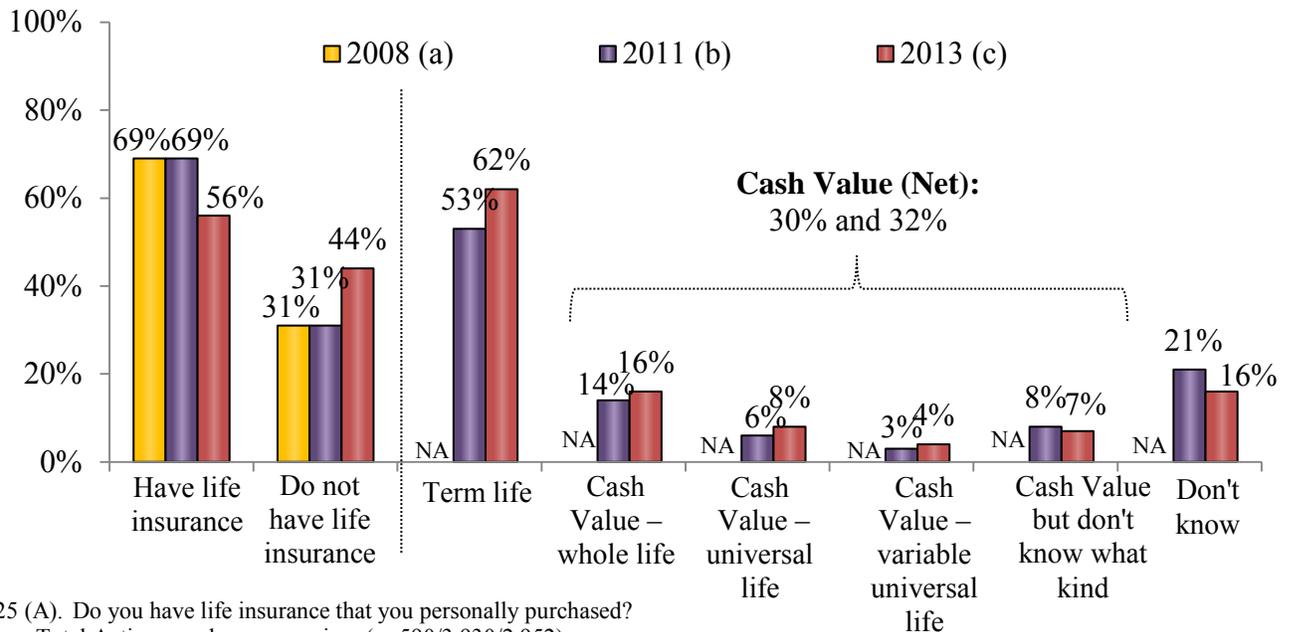
Q19 (R). So far in your retirement has your spending on health care been more, less, or about the same as you expected?
Base: Total Retired members answering.

Life Insurance

Life insurance coverage for active members appears to have decreased significantly in 2013 (down to 56 percent from 69 percent in 2011 and 2008), but the life insurance question in 2013 was altered slightly to include the phrase “personally purchased” and might have caused respondents to not consider life insurance coverage provided through their employer that *was* considered in 2011 and 2008.

Figure 19 below shows life insurance coverage and the type of insurance for active members (specifying the type of life insurance was not surveyed in 2008).

FIGURE 19 – Life Insurance Coverage and Type (Active)



Q25 (A). Do you have life insurance that you personally purchased?

Base: Total Active members answering. (n=590/3,930/2,952)

Q26 (A). What kind of life insurance do you have?

Base: 2011 and 2013 Active members who have personally purchased life insurance. (n=NA/2,680/1,631)

Working During Retirement

Most retired members are not employed, with 81 percent not working in 2013—this is similar to 80 percent in 2011, but an increase over the 76 percent in 2008. Of those who work, other private sector employment (30 percent) and CalSTRS-covered employment (29 percent) are the most common types of paid work.

The main reasons retired members continue to work are that they enjoy working and want to stay active (34 percent), or they want extra income for luxuries like travel and entertainment (25 percent). The number of retired members who continue to work because they need income for other necessary living expenses decreased significantly to 18 percent in 2013 from 24 percent in

2011 (this option was not surveyed in 2008). Yet, continuing to work for extra income to pay for health care coverage or expenses increased significantly to 9 percent in 2013 over the 4 percent in 2011 (this option was not surveyed in 2008).

Home Ownership

The majority of active members (80 percent) and retired members (92 percent) own their home. Fewer active members own their home in 2013 compared to 83 percent in 2011 and 86 percent in 2008, while retired member home ownership is unchanged from 2011 and 2008. National homeownership is 65 percent and California homeownership is 55 percent⁷. This data suggests homeownership amongst CalSTRS members remains high relative to the national and state levels.

The main reason active members do not own their home is that they cannot afford a home in their area (32 percent), which is a significant decrease from 40 percent in 2011 and 61 percent in 2008.

Retired members generally do not own their home because they prefer to rent (29 percent) or cannot afford a home in their area (20 percent)

Mortgage Debt

The most common timeframe active members expect to pay their mortgage is 20 years or longer (37 percent), which is consistent with 2011 and 2008. Eleven percent of active members have already paid their mortgage in full, which is significantly higher than 9 percent in 2011, but similar to the 10 percent reported in 2008. The average mortgage balance for active members is \$248,700 and the median balance is \$245,200⁸. The average monthly rent or mortgage payment is \$1,880, a statistically significant decrease from \$1,960 in 2011, but similar to \$1,870 in 2008. The median payment is \$1,770, compared to \$1,840 in 2011 and \$1,770 in 2008.

The most common timeframe retired members expect to pay their mortgage is 20 years or longer (12 percent), but it is just as common for retired members to have no plans to pay off their mortgage (12 percent). More than half of retired members (51 percent) have already paid their mortgage in full, which is similar to 2011 and 2008. The average mortgage balance for retired members is \$198,800 and the median balance is \$165,700⁹. The average monthly rent or mortgage payment is \$1,240, which is similar to \$1,230 in 2011, but a significant increase over the \$1,130 in 2008. The median payment is \$980, compared to \$940 in 2011 and \$850 in 2008.

⁷ U.S Census data

⁸ The question pertaining to mortgage balance is new for active members in 2013. In 2011 and 2008 the Assessment asked for the value of home equity, which was determined to be too heavily influenced by subjective factors and thus replaced by the question to report mortgage balance.

⁹ The question pertaining to mortgage balance is new for retired members in 2013. See footnote 8 above for more details.

Student Loan Debt

Seventy-one percent of active members *do not* have any student loan debt. Among the remaining 29 percent who do have student loan debt, the average balance is \$26,480 and the median balance is \$22,000 (student loans were not surveyed in 2011 or 2008). According to research done by the Federal Reserve Bank of New York¹⁰, the national average for student loan debt, as of the end of 2012, was \$24,803.

Debt Other than Mortgage or Student Loans

Almost one-third of active members (32 percent) do not have other debt besides a mortgage or student loans. Among those active members who do have other debt, the average balance is \$20,170 and the median balance is \$12,180 (active member debt balances were not surveyed in 2011 or 2008).

Almost one-half of retired members (47 percent) do not have other debt besides a mortgage or student loans. Among those retired members who do have other debt, the average balance is \$16,440 and the median balance is \$10,000 (retired member debt balances were not surveyed in 2011 or 2008).

As a reference for debt balance, according to research done by the Federal Reserve Bank of New York, the approximate¹¹ per capita debt balance of California residents is \$10,000.

Table 8 on the following page shows the balance of debts other than a mortgage or student loans for active and retired members.

¹⁰ See the Federal Reserve Bank of New York *Quarterly Report on Household Debt and Credit* and its supplemental website on student loan debt.

<http://www.newyorkfed.org/studentloandebt/index.html>

¹¹ This figure was estimated from the Federal Reserve Bank of New York Q22013 *Quarterly Report on Household Debt and Credit* (graph on page 19) and is a per capita figure, not an average of those with debt.

http://www.newyorkfed.org/research/national_economy/householdcredit/DistrictReport_Q22013.pdf

TABLE 8 – Balance of Debts Other than Mortgage or Student Loans (Active and Retired)

	2013 Active n=2,927	2013 Retired n=2,908
Less than \$10,000	30%	33%
\$10,000 to \$19,999	15%	8%
\$20,000 to \$29,999	9%	5%
\$30,000 to \$39,999	5%	3%
\$40,000 to \$49,999	3%	2%
\$50,000 or more	6%	3%
Do not have any other debts	32%	47%
Mean	\$20,170	\$16,440
Median	\$12,810	\$10,000

Q39 (A). What is the current balance on debts other than mortgage or student loans?

Q43 (R). What is the current balance on debts other than mortgage?

Base: 2013 Active members who have student loans and total 2013 Retired members answering.

Household Income

The average annual household income for active members is \$107,300, which is a decrease from \$109,100 in 2011 and \$109,400 in 2008. The median household income is \$98,500, compared to \$100,000 in 2011 and \$103,700 in 2008.

The average annual household income for retired members is \$86,700, which is a significant increase over the \$82,800 in 2011 and \$78,400 in 2008. The median household income is \$77,200, compared to \$73,200 in 2011 and \$66,600 in 2008. For comparison, according to the U.S. Census Bureau, the median household income in California was \$58,328 in 2012.

Borrowing Retirement Funds

Retirement plan leakage such as loans, withdrawals or post-termination cash-outs can diminish plan savings. With regard to loans, a single outstanding loan from a retirement plan may not be detrimental to future savings, but multiple outstanding loans can signal ongoing financial distress and be highly inhibitive to future savings.

Eighty-five percent of active members have *never* borrowed funds from a voluntary retirement savings plan while working in CalSTRS-covered employment, which is unchanged from 2011 (loans from retirement plans were not surveyed in 2008). Currently, 5 percent of active members have one loan outstanding from their voluntary retirement savings plan, while 2 percent have multiple loans outstanding (both are unchanged from 2011).

Among active members who have at least one voluntary retirement savings plan loan outstanding, the average balance is \$8,308, which is a decrease from \$9,362 in 2011. The median balance is \$6,937 and is a decrease from \$7,440 in 2011. Retirement loan balances were not surveyed in 2008.

The low rate of borrowing by active members suggests that leakage from voluntary retirement plan savings—at least in the form of loans—is not a concern for this group.

Money Spent for Classroom Resources

Each month, 94 percent of active members spend money on resources to benefit their classroom and students *that is not reimbursed by their employer*. This finding is identical to 2011 (unreimbursed expense in the classroom was not surveyed in 2008). The average amount educators typically spend is \$59 per month, which is an increase over the \$57 per month in 2011.

Ultimately, this finding speaks to the character of California’s educators. Despite district budget reductions and the lingering presence of layoffs, active CalSTRS members step forward and spend nearly \$234 million¹² each school year to provide the classroom resources their students need to be successful.

CONCLUSION

The 2013 Assessment has built upon the foundation of valuable information reported by CalSTRS members in 2011 and 2008. In general, the financial status of members appears healthy and has not changed dramatically, and communication encouraging member self-discovery on the Social Security offsets and postretirement health benefits should be continued.

¹² Based on 94 percent of 421,500 active members who spend an average of \$59 per month over a 10-month school year.