

# CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Cost Analysis Report

## EARLY RETIREMENT INCENTIVE PROGRAM

*Fiscal Year Ended June 30, 2025*



MALIA M. COHEN

CALIFORNIA STATE CONTROLLER

April 2026



**STATE CONTROLLER'S OFFICE | DIVISION OF AUDITS**

Post Office Box 942850 | Sacramento, CA 94250

Sacramento Office: 3301 C Street, Suite 700 | Sacramento, CA 95816 | 916-324-8907

Monterey Park Office: 901 Corporate Center Drive, Suite 200 | Monterey Park, CA 91754 | 323-981-6802

[www.sco.ca.gov](http://www.sco.ca.gov)



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

April 1, 2026

California State Legislature  
State Capitol Building  
Sacramento, CA 95814

Dear Senators and Assembly Members:

I am pleased to provide you with the fiscal year 2024-25 State Controller's cost analysis of the Early Retirement Incentive Program for members of the California State Teachers' Retirement System. This report complies with Education Code section 14502.1(d).

This report was prepared based on a limited number of annual audit reports. A total of 1,740 out of 2,018 school districts submitted their annual audit reports as of February 25, 2026.

If you have any questions regarding the enclosed report, please contact my Chief of Staff, Regina Evans, by email at [revans@sco.ca.gov](mailto:revans@sco.ca.gov) or telephone at 916-445-2636. Thank you.

Sincerely,

*Original signed by*

Malia M. Cohen

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## SUMMARY

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In accordance with Education Code (EC) section 14502.1(d), the State Controller's Office (SCO) conducted a cost analysis of the Early Retirement Incentive Program for members of the California State Teachers' Retirement System (CalSTRS).

We prepared this report based on a limited number of annual audit reports. A total of 1,740 out of 2,018 school districts submitted their annual audit reports as of February 25, 2026. Based on this limited data, during fiscal year (FY) 2024-25, a total of six California local education agencies (LEAs), including school districts and county offices of education, participated in this program. In the prior year, eight LEAs participated in the program.

The analysis was prepared using information included in LEA audit reports submitted to SCO for FY 2024-25. SCO did not perform any procedures to verify the accuracy of the information included in the LEA audit reports. SCO reviewed the reports to determine the net savings or costs resulting from formal actions taken by LEAs to encourage the retirement of certificated or academic employees.

The CalSTRS Early Retirement Incentive Program resulted in a net cost of \$115,254 during FY 2024-25. The total program cost was \$1,379,390 through June 30, 2025, and was calculated based on one-time retirement contributions by the LEAs. The annual personnel savings realized in FY 2024-25 is estimated to be \$1,264,136. Accordingly, the total program cost will be recovered in two years. Based on data presented in this report, the LEAs will achieve cost savings in future years.

## BACKGROUND

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EC section 14502.1(d) states:

The Controller shall annually prepare a cost analysis, based on the information included in the audit reports for the prior fiscal year, to determine the net savings or costs

resulting from formal actions taken by school districts and county offices of education pursuant to sections 22714 and 44929, and shall report the results of the cost analysis to the Governor and the Legislature by April 1 of each year.

In addition, EC section 22714(a) states:

Whenever the governing board of a school district or a community college district or a county office of education, by formal action, determines pursuant to section 44929 or 87488 that, because of impending curtailment of, or changes in, the manner of performing services, the best interests of the district or county office of education would be served by encouraging certificated employees or academic employees to retire [from] service and that the retirement will result in a net savings to the district or county office of education, an additional two years of service credit shall be granted [to its employees if certain specified conditions exist].

## SCOPE AND METHODOLOGY

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SCO receives the annual audit reports of LEAs prepared by independent auditors and completes an extensive review of the financial and compliance information presented in the reports. In order to maintain consistency in the presentation of the data received, EC section 14502.1(c) prescribes the audit report disclosure criteria. The analysis presented in this report is based solely on the data disclosed in those audit reports.

During FY 2024-25, a total of six LEAs participated in the CalSTRS Early Retirement Incentive Program. The audit reports for those LEAs must include the following in the Notes to the Basic Financial Statements:

- The number and type of positions vacated;
- The age, service credit, salary, and, separately, the benefits of the retirees receiving the additional service credit;

- A comparison of the salary and benefits of each retiree with the salary and benefits of the replacement employee, if any; and
- The resulting retirement cost, including interest, if any, and post-retirement healthcare benefit costs incurred by the employer.

## COST ANALYSIS

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This cost analysis was limited to the six LEAs that participated in the CalSTRS Early Retirement Incentive Program for FY 2024-25. The LEA independent auditors did not perform any procedures to verify the accuracy of the early retirement information contained in the Notes to the Basic Financial Statements. SCO compiled information from the Notes to the Basic Financial Statements to obtain the totals and averages shown in the table. The table also shows cost data for FY 2022-23 and FY 2023-24 for purposes of comparison.

Fiscal Year	Average Age of Retiree (Years)	Average Years of Service Credit	Average Number of Positions Vacated	Total Annual Personnel Savings	Total Additional One-Time Costs	Net Cost or Savings for the Initial Year
2024-25	59.72	27.80	2.33	\$1,264,136	\$1,379,390	\$115,254
2023-24	60.79	28.92	3.38	2,581,653	2,248,974	-332,679
2022-23	60.80	26.80	4.70	3,540,374	4,201,177	660,803

The Total Annual Personnel Savings column reflects current-year savings only. The Net Costs or Savings for the Initial Year column reflects the difference between the Total Additional One-Time Costs and the Total Annual Personnel Savings columns; negative dollar amounts represent a net savings, and positive dollar amounts represent net costs.

## CONCLUSION

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As shown in the table, for FY 2024-25, an average of 2.33 positions per participating LEA were vacated in exchange for the extra two years of service credit. The LEAs incurred additional

one-time retirement costs totaling \$1,379,390; these costs will be recovered in two years. Although some of the vacated positions were refilled during the year, the annual net savings of personnel costs is projected to be \$1,264,136 on the presumption that, without the Early Retirement Incentive Program, all of the retirees would have chosen to continue working.

The payroll savings total is the difference between the payroll costs of retirees and the payroll costs of their less-costly replacements. However, as the replacements will receive periodic pay raises, the payroll savings total will decline by the amount of the raises. The net cost to the LEAs in FY 2024-25 was \$115,254. Based on data presented in this report, we believe that the LEAs will achieve cost savings in future years.