



# Regular Meeting

## Item Number 9 – Open Session

**Subject:** Adoption of Proposed 2024–25 Operating Budget

**Presenter(s):** Julie Underwood and Pritpal Bains

**Item Type:** Action

**Date & Time:** November 2, 2023 – 15 minutes

---

**Attachment(s):** Attachment 1 – Proposed 2024–25 Operating Budget Resolution

Attachment 2 – Proposed 2024–25 Operating Budget

**PowerPoint(s):** Proposed 2024–25 Operating Budget Overview

---

### **Item Purpose**

This item presents the proposed 2024–25 Operating Budget of \$611.0 million and 1,401 authorized positions for review and approval, including additional budget authority for unanticipated expenditures, which is requested as part of the Operating Budget each year.

During the September 2023 board meeting, staff presented the preliminary 2024–25 Operating Budget and provided an overview of estimated funding and resources requested for fiscal year 2024–25, excluding the Pension Solution Project. This item includes one-time budget authority for the Pension Solution Project in the amount of \$205.8 million, which is the only change since the September meeting. A detailed presentation of CalSTRS’ total 2024–25 budget, which includes the proposed 2024–25 Operating Budget, is provided in *Attachment 2*.<sup>1</sup>

### **Recommendation**

Staff recommends the board to approve the proposed 2024–25 Operating Budget of \$611.0 million and 1,401 authorized positions, including additional budget authority for unanticipated expenditures.

---

<sup>1</sup>All figures in this agenda item and subsequent attachments are rounded for presentation purposes.

**Executive Summary**

**Proposed 2024–25 Operating Budget<sup>2</sup>**

The proposed 2024–25 Operating Budget is \$611.0 million. This reflects an overall net increase of \$135.3 million, or 28%, compared to the revised 2023–24 Operating Budget.<sup>3</sup> The following table provides a summary of CalSTRS’ prior year actuals, the revised 2023–24 and proposed 2024–25 Operating Budgets, and highlights the total change by budget category between fiscal years 2023–24 and 2024–25.

**Three-Year Overview**  
*(dollars in millions)*

<b>Budget Category</b>	<b>Actual 2022–23</b>	<b>Revised 2023–24</b>	<b>Proposed 2024–25</b>	<b>\$ Change</b>	<b>% Change</b>
Salaries	\$145.7	\$191.4	\$231.3	\$39.9	21%
Benefits	69.3	85.6	107.8	22.2	26%
Operating Expenses and Equipment	139.0	198.7	271.9	73.2	37%
<b>Total Operating Budget</b>	<b>\$354.0</b>	<b>\$475.7</b>	<b>\$611.0</b>	<b>\$135.3</b>	<b>28%</b>

**Proposed 2024–25 Operating Budget Changes – \$135.3 million**

The proposed 2024–25 Operating Budget includes a net increase of \$135.3 million, composed of \$118.6 million for additional one-time budget authority for the Pension Solution Project, \$1.9 million to establish 12 authorized positions, and \$14.8 million for Other Budgetary Changes as follows:

*Pension Solution Project – \$118.6 million*

This includes a request for \$205.8 million in one-time budget authority to complete the Pension Solution Project. This funding will support CalSTRS project team, contractors, and technology administration. This funding would be effective July 1, 2024, and available for encumbrance or expenditure through June 30, 2027, and for liquidation through June 30, 2029. In addition, this request includes an extension of the existing Pension Solution Project budget appropriations to align with these new encumbrance and liquidation periods. This assumes the board approves the Pension Solution Project budget augmentation presented in the November 2023, Teachers’

---

<sup>2</sup> Since the September board meeting, the 2024–25 Operating Budget changed from \$405.2 million to \$611.0 million, reflecting an overall net increase of \$205.8 million, solely due to additional one-time budget authority to complete the Pension Solution Project.

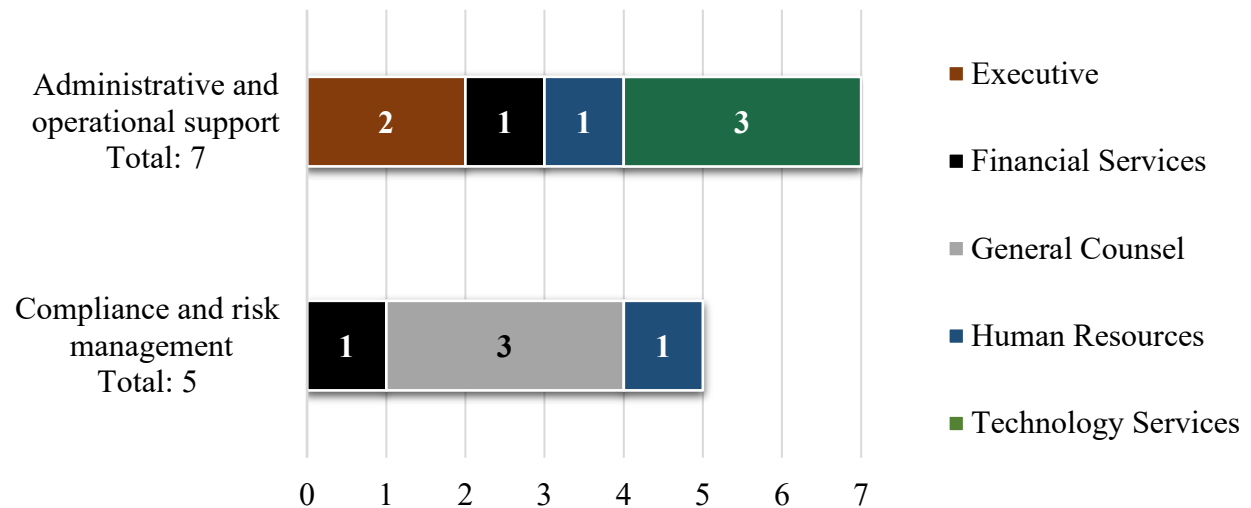
<sup>3</sup> The 2023–24 board-approved Operating Budget was revised in the amount of \$87.2 million for the Pension Solution Project. Additional information is provided in the March 2023, Teachers’ Retirement Board Item [#8 - Pension Solution Project Update and Budget Adjustment](#).

*Retirement Board Item #8–Pension Solution Project Update and Contract and Budget Augmentation Approvals.*

The \$205.8 million is partially offset by an \$87.2 million reduction for one-time project funding approved in fiscal year 2023–24. Note: This is not a reduction to the overall Pension Solution Project budget. This only represents a decrease to the 2024–25 Operating Budget due to the reversal of the one-time, prior year expenditures. With this adjustment, the total net increase to the Operating Budget is \$118.6 million.

*Administrative and Operational Support and Compliance and Risk Management – \$1.9 million, 12 positions*

This includes \$1.9 million to establish 12 authorized positions, for administrative and operational support and compliance and risk management functions, to address strategic priorities and enterprisewide growth. The following chart displays the total authorized position request by function and business area.



- \$1.1 million for seven positions for *administrative and operational support* functions, dispersed across four business areas (*Executive–2, Financial Services–1, Human Resources–1, Technology Services–3*).
- \$800 thousand for five positions to support *compliance and risk management* functions, dispersed across three business areas (*Financial Services–1, General Counsel–3, Human Resources–1*).

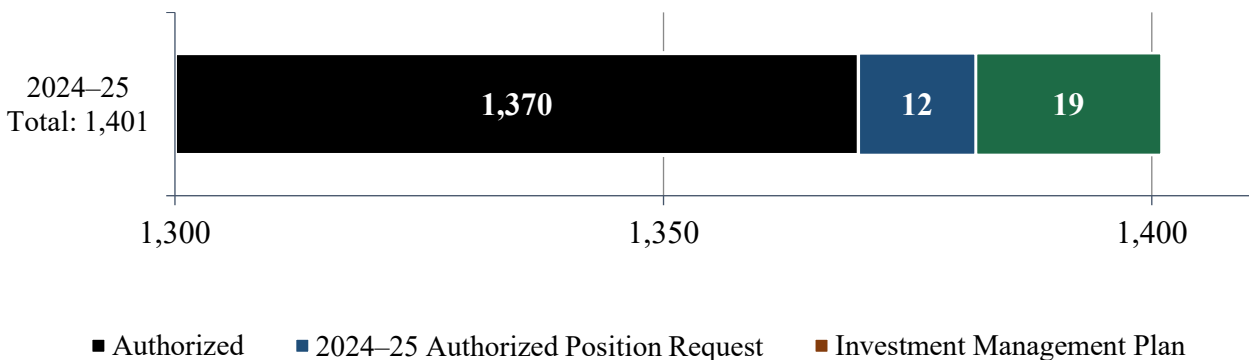
*Other Budgetary Changes– \$14.8 million, 19 positions*

Other Budgetary Changes represent adjustments for standard nondiscretionary expenditures that occur routinely each year. These reflect an increase of \$14.8 million, composed of state mandates and the Multi-Year Internal Investment Management Plan (Investment Management Plan).

- \$8.2 million for state mandates, which includes adjustments for employee compensation and the Pro Rata Assessment issued by the Department of Finance.
- \$6.6 million to establish 19 authorized positions previously approved as part of the Investment Management Plan. This was approved as part of the 2021–22 Operating Budget, in support of the CalSTRS Collaborative Model as part of our cost savings initiative.

**Proposed 2024–25 Authorized Positions**

The proposed 2024–25 Operating Budget includes 1,401 authorized positions, reflecting an increase of 31 positions to CalSTRS’ workforce, or 2%, relative to the 2023–24 Operating Budget. This includes a request to establish 12 authorized positions as referenced above, and 19 authorized positions previously approved as part of the Investment Management Plan.



### **Additional Budget Authority**

Additional budget authority for the proposed 2024–25 Operating Budget is requested for unanticipated expenditures. This authority is requested as part of the Operating Budget each year.

#### *Teachers' Retirement Fund Support Appropriation Savings*

Pursuant to [Appendix III.1 of the Teachers' Retirement Board Governance Manual](#), if CalSTRS ends the year with savings in the Teachers' Retirement Fund (TRF) support appropriation, up to 3% of the Operating Budget can carry over into a future fiscal year. These savings are available for expenditure for two years after the initial year of appropriation, upon board approval and would be used for unanticipated system costs and to promote better service to the system's membership. Staff requests the board to authorize the availability of up to 3%, or \$10.5 million of the \$350.6 million 2024–25 TRF support appropriation. Additional information regarding the TRF is provided in the *Additional Budget Authority* section, and in *Appendices 1 and 4 of Attachment 2*.

#### *Teachers' Deferred Compensation Fund Budget Authority*

The Teachers' Deferred Compensation Fund (TDCF) is used to account for ancillary activities associated with deferred compensation plans and programs to enhance the tax-deferred financial options. If sufficient cash revenue is generated to support expansion of the program, staff requests the board approve additional budget authority of up to 5%, or \$105.5 thousand over the proposed baseline TDCF budget of \$2.1 million. The additional authority would be used only as needed for unanticipated expenditures. Additional information regarding the TDCF is provided in the *Additional Budget Authority* section, and in *Appendices 1 and 4 of Attachment 2*.

#### *Proposed 2024–25 Operating Budget Revision Authority*

If the 2024–25 Operating Budget requires revision for mandatory adjustments to statewide administrative expenditures, or as required by the Administration, staff is requesting authorization to revise the 2024–25 Operating Budget for such adjustments. Since these revisions would be mandated, staff is seeking the board's authorization to adjust the Operating Budget without further board action. In the event the 2024–25 Operating Budget is revised, staff will inform the board outlining the revisions.

Strategic Plan Linkage:

- Goal 1, Objective E – Enhance how risks are defined, viewed, and managed.
- Goal 2, Objective A – Implement and integrate a highly adaptive pension administration system to modernize transactional capabilities.
- Goal 3, Objective A – Shape a resilient, sustainable, blended workforce that reflects fully integrated diversity, equity, and inclusion practices.
- Goal 3, Objective D – Strengthen preparedness capabilities to address change and disruptions.

Board Policy Linkage: Pursuant to [\*Appendix III.1 of the Teachers' Retirement Board Governance Manual\*](#), board members must ensure that only reasonable and necessary expenses are incurred in the governance and management of the system. This is accomplished through the annual Operating Budget, which the staff proposes, the board approves, and both monitor on a regular basis. Note: Once the board approves the Operating Budget, adjustments to annual appropriations, which consists of the Teachers' Retirement Fund Support and Information Technology Project Funding appropriations, are presented to the Department of Finance and the Legislature for inclusion in the Budget Act.

---