



Defined Benefit Supplement Program of the California State Teachers' Retirement System

June 30, 2021 Actuarial Valuation

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April 19, 2022

Teachers' Retirement Board
California State Teachers' Retirement System

Re: **Defined Benefit Supplement Program Actuarial Valuation as of June 30, 2021**

Dear Members of the Board:

At your request, we have performed an actuarial valuation of the Defined Benefit Supplement (DBS) Program of the State Teachers' Retirement System as of June 30, 2021. Details about the actuarial valuation are contained in the following report. The major findings of the 2021 Actuarial Valuation are contained in this report. This report reflects the benefit provisions and contribution rates in effect as of the valuation date.

Actuarial Certification

To the best of our knowledge and belief, this report is complete and accurate and contains sufficient information to fully and fairly disclose the funded condition of the DBS Program as of June 30, 2021.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by CalSTRS staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for CalSTRS have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of CalSTRS and reasonable expectations) and which, in combination, offer a reasonable estimate of anticipated experience affecting CalSTRS. Further, in our opinion, each actuarial assumption used is reasonably related to the experience of CalSTRS and to reasonable expectations which, in combination, represent a reasonable estimate of anticipated experience. The valuation results were developed using models intended for valuations that use standard actuarial techniques.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Teachers' Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the DBS Program. The board adopted the actuarial methods and assumptions used in the 2021 valuation.

Actuarial computations presented in this report are for purposes of assessing the funding of the DBS Program. The calculations in the enclosed report have been made on a basis consistent with our understanding of the DBS Program funding structure. Determinations for other purposes may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion* in the United States promulgated by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.

We would like to express our appreciation to the CalSTRS staff who gave substantial assistance in supplying the data on which this report is based. We respectfully submit the following report and we look forward to discussing it with you.

Sincerely,

A handwritten signature in blue ink, appearing to read "Nick Collier", written over a horizontal line.

Nick J. Collier, ASA, EA, MAAA
Consulting Actuary

A handwritten signature in blue ink, appearing to read "Scott Preppernau", written over a horizontal line.

Scott D. Preppernau, FSA, EA, MAAA
Consulting Actuary

A handwritten signature in blue ink, appearing to read "Julie D. Smith", written over a horizontal line.

Julie D. Smith, FSA, EA, MAAA
Consulting Actuary

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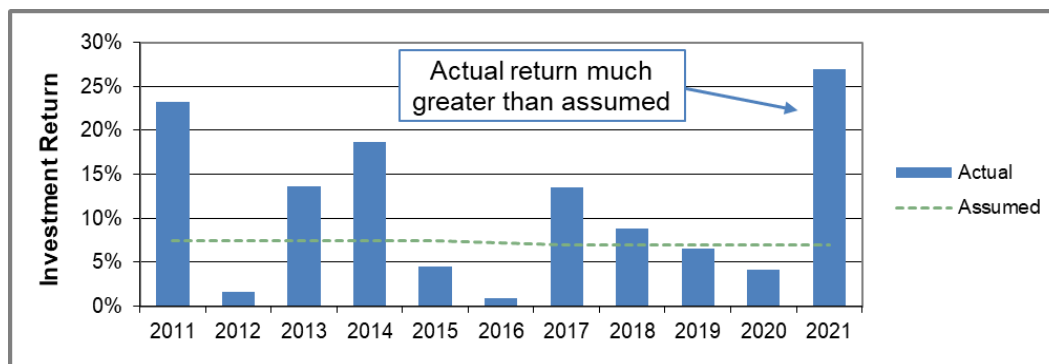
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1. Summary of the Findings

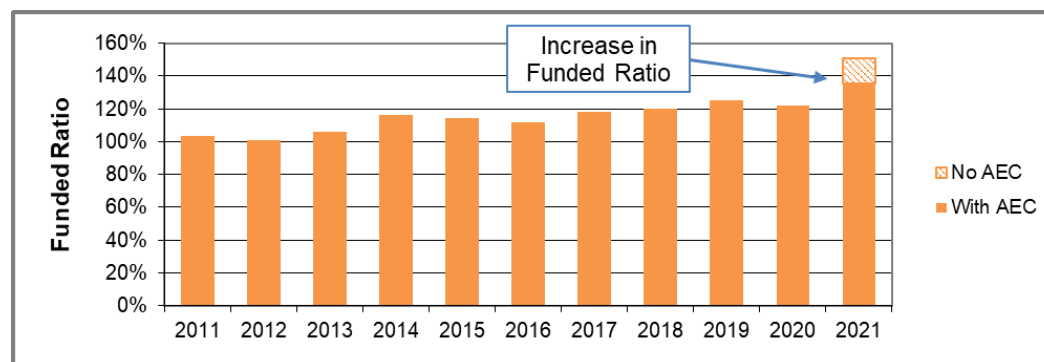
The primary purpose of the actuarial valuation is to determine the financial condition of the DBS Program through the measurement of the Gain and Loss Reserve. By using the actuarial methods and assumptions adopted by the Teachers' Retirement Board, this actuarial valuation provides an estimate of the financial condition of the DBS Program. The assumptions and methods were adopted at the January 2020 Teachers' Retirement Board meeting and there have been no changes to them since the last valuation.

The key findings of this actuarial valuation are:

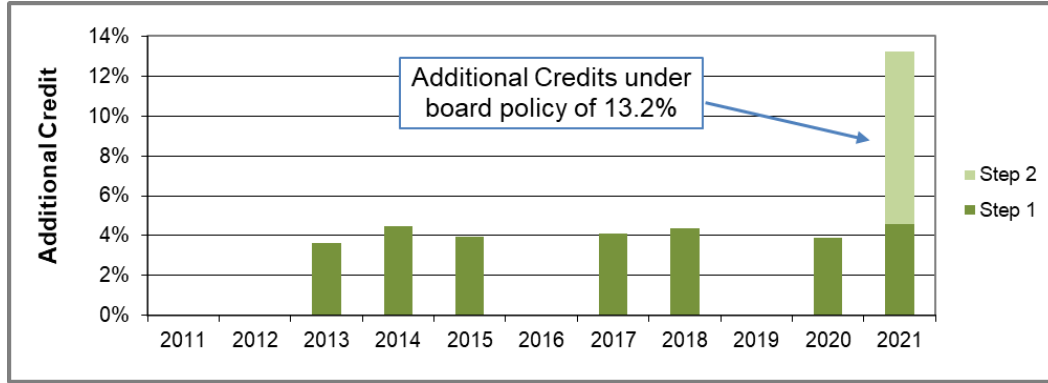
- The **investment return** for year ended June 30, 2021 was calculated to be 27.0%, significantly exceeding the assumed 7.0%. The return was the primary factor affecting the results in this valuation, which include the highest Funded Ratio since the start of the DBS Program.



- The **Funded Ratio** increased from 121.8% to 150.6%, primarily due to an investment return greater than the assumed 7.0% return for the prior fiscal year. The Funded Ratio is prior to the potential granting of Additional Earnings Credits (AEC). If the AEC are granted pursuant to the board policy, the Funded Ratio would still increase over last year, but to a lower level of 135.6%.



- Under board policy, an **Additional Earnings Credit** of 13.21% is calculated for non-retired members. Additional credits are calculated under Step 2 of the policy this year, which only applies if the Funded Ratio significantly exceeds (defined as two standard deviations of the investment portfolio greater) the 100% level. This results in the highest calculated Additional Earnings Credit in the history of the DBS Program. The total amount of these credits is approximately \$1.3 billion.



Results

As of June 30, 2021, the Actuarial Value of Assets of the Defined Benefit Supplement (DBS) Program exceeds the Actuarial Obligation by \$5,977,617,000. This number is the negative Unfunded Actuarial Obligation (UAO), sometimes referred to as an Actuarial Surplus. It is consistent with the board’s policy to grant Additional Earnings Credits of \$1,302,720,000 as of June 30, 2021, as discussed in this report.

(\$ Thousands)	June 30, 2021	June 30, 2020
Actuarial Balance Sheet		
Actuarial Obligation (before Add'l Credits)		
Active Members	\$ 8,955,093	\$ 8,684,108
Inactive Members	906,526	814,231
Retirees and Beneficiaries	1,950,617	1,824,609
Total	<u>11,812,236</u>	<u>11,322,948</u>
Actuarial Value of Assets	<u>17,789,853</u>	<u>14,243,827</u>
Unfunded Actuarial Obligation / (Actuarial Surplus)	\$ (5,977,617)	\$ (2,920,879)
Additional Earnings Credit	<u>*</u>	<u>368,535</u>
Final Unfunded Actuarial Obligation / (Actuarial Surplus)	*	\$ (2,552,344)
Funded Ratio (Assets ÷ Actuarial Obligation)		
Before Additional Credits	150.61%	125.80%
After Additional Credits	*	121.83%

* To be determined by the Teachers' Retirement Board.

The Actuarial Value of Assets for this valuation is the Fair Market Value as provided to us by CalSTRS. The actual return for the year for the DBS Program, as measured using uniform cash flow throughout the year, was about 27.0% net of investment and administrative expenses.

(\$ Thousands)	Year Ended June 30, 2021	Year Ended June 30, 2020
Additions		
Contributions	\$ 277,679	\$ 276,767
Earnings	3,849,526	601,858
Change in GASB Adjustment	4,033	1,372
Total Additions	\$ 4,131,238	\$ 879,997
Deductions		
Benefits	\$ 545,209	\$507,963
Expenses	40,003	32,704
Total Deductions	585,212	540,667
Net Increase (Decrease)	\$ 3,546,026	\$ 339,330
Net Assets		
Beginning of Year	\$ 14,243,827	\$13,904,497
Net Increase (Decrease)	3,546,026	339,330
End of Year	\$ 17,789,853	\$ 14,243,827
Estimated Net Rate of Return	27.0%	4.1%

If the experience had emerged as assumed, the Actuarial Surplus would have increased from \$2,552,344,000 to \$2,731,008,000. The difference between the actual and expected UAO is the actuarial gain or loss for the year.

- There was an actuarial gain of \$2,825,852,000 due to the actual investment return being greater than last year's assumed long-term return of 7.00%.
- There was an actuarial gain of \$420,757,000 on the actuarial obligation. This was primarily due to the current year's interest credits being less than 7.00% during the year. The Minimum Interest Rate for 2020-2021 was 2.44%.
- The net actuarial gain was \$3,246,609,000, resulting in a Funded Ratio of 150.61% prior to granting any Additional Earnings Credits.

A summary of the actuarial (gains) and losses for the last two years is shown in the following table.

(\$ Thousands)	June 30, 2021	June 30, 2020
Actuarial (Gain) or Loss		
Investment Return on Assets	\$ (2,825,852)	\$ 394,697
Assumption & Method Changes	-	-
Interest Credits on Accounts	(420,757)	(342,631)
Total Actuarial (Gain) or Loss	\$ (3,246,609)	\$ 52,066
Expected UAO at End of Year	(2,731,008)	(2,972,945)
Total Unfunded Actuarial Obligation / (Actuarial Surplus) Before Add'l Credits	\$ (5,977,617)	\$ (2,920,879)

The board established a policy (“Additional Credit Policy”) on June 9, 2006 that was effective for the Additional Earnings Credit and Additional Annuity Credit decisions beginning in 2006. The board’s Additional Credit Policy calls for a two-step determination of the allocation as shown in detail in this report. This policy was updated at the board’s April 2015 meeting to increase the thresholds needed to be met to grant Additional Earnings Credits and to remove the Additional Annuity Credit.

Based on the board’s policy, Additional Earnings Credits of \$1,302,720,000 may be granted as of June 30, 2021. If Additional Earnings Credits are granted in this amount, the Funded Ratio will be 135.65% as opposed to 150.61% without the credit.

The following table shows a history of prior board actions.

(\$ Thousands)				
Valuation Date	Funded Ratio	Available Reserves and Unallocated Gains (Losses)	Additional Credits Adopted	Final Gain and Loss Reserve
June 30, 2011	103.6%	\$ 281,195	\$ 0	\$ 281,195
June 30, 2012	100.6%	50,527	0	50,527
June 30, 2013	105.8%	788,028	295,872	492,156
June 30, 2014	116.3%	1,820,201	347,846	1,472,355
June 30, 2015	114.5%	1,711,825	324,216	1,387,609
June 30, 2016	111.6%	1,138,769	0	1,138,769
June 30, 2017	118.0%	2,224,206	356,926	1,867,280
June 30, 2018	120.1%	2,599,246	393,843	2,205,403
June 30, 2019	125.0%	2,778,453	0	2,778,453
June 30, 2020	121.8%	2,920,879	368,535	2,552,344
June 30, 2021	150.6%	5,977,617	*	*

* To be determined by the Teachers' Retirement Board.

Future Funding

As of June 30, 2021, the DBS Program has an Actuarial Surplus (negative UAO) since the value of assets is greater than the current value of the Actuarial Obligation. If all assumptions are met, the funding surplus will slowly grow in the future (prior to reflecting potential Additional Earnings Credits). If future experience is worse than assumed, a UAO (shortfall between assets and liabilities) may develop. For example, if Additional Earnings Credits are adopted this year and the DBS Program has a 23% investment loss or more for the fiscal year ended June 30, 2022, we project that a UAO would emerge in the next valuation. Alternatively, a longer period with less-than-expected returns not as severe as the 23% loss could cause a UAO to develop.

There is currently no provision in the Education Code to increase contributions to make up for any future shortfalls if they were to occur. However, the assumed return on investments exceeds the current Minimum Interest Rate. To the extent that the assets earn more than the accounts are credited in the future, this may be sufficient to make up any potential shortfall.

The actuarially determined contribution in accordance with the funding policy is equal to the actual contributions that will be required to be made to the DBS Program according to the California Education Code.

Conclusion

The DBS Program is currently in a surplus funded position; that is, the assets exceed the value of the Actuarial Obligation based on the actuarial assumptions. Given the current funded position, it is consistent with their policy for the board to grant Additional Credits. However, it should be noted that future experience will not exactly conform to the assumptions. For example, investment market declines that occurred in the first quarter of calendar year 2022 are not reflected in the results of this valuation. To the extent future experience is worse than assumed, it is possible that a UAO could develop in the future.

Granting Additional Earnings Credits of 13.21% to active and inactive member accounts is consistent with the board's policy. The estimated value of the Additional Earnings Credits is \$1,302,720,000.

2. Findings of the Actuarial Valuation

An actuarial valuation is performed as of June 30 of each year, the last day of the Program's plan year. The primary purpose of the valuation is to determine the financial condition of the DBS Program through the measurement of the Gain and Loss Reserve. We also describe recent changes in the Program's financial condition and provide additional disclosure information.

The findings have been determined according to actuarial assumptions that were adopted on the basis of recent experience and current expectations of future experience. In our opinion, the assumptions used in the valuation are reasonably related to the past experience of the DBS Program and represent a reasonable estimate of future conditions affecting the Program. Nevertheless, the emerging costs of the Program will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

Actuarial Value of Assets

The Actuarial Value of Assets for this valuation is the Fair Market Value as reported by CalSTRS. A Statement of Program Assets for the last two plan years is shown in **Table 1**, and the Statement of Change in Program Assets is shown in **Table 2**.

The investment return for 2020-2021 was calculated to be 27.0% net of all investment and administrative expenses and assuming uniform cash flow throughout the year. This is an estimate only for the purpose of comparing investment experience from one year to the next and will likely differ from information provided by CalSTRS investment staff.

Actuarial Balance Sheet

Under the Traditional Unit Credit Actuarial Cost Method, when the assumed investment return is equal to the assumed interest crediting rate, then the Normal Cost is equal to the contributions made during the year and the Actuarial Obligation is equivalent to the current sum of the Members' Account Balances plus a reserve for the present value of the current annuity payments.

Table 3 shows the Actuarial Obligation for this valuation and the prior valuation.

For the purpose of this valuation, the account information was provided to us by CalSTRS, including a supplemental file reflecting all Additional Earnings Credits granted prior to 2021. We checked the information for reasonableness by reviewing the individual member records supplied to us. We independently calculated the value of the monthly annuity benefits supplied by CalSTRS.

The excess of the Actuarial Obligation over the Actuarial Value of Assets is called the Unfunded Actuarial Obligation (UAO). If the Actuarial Value of Assets exceeds the Actuarial Obligation, the difference is called the Actuarial Surplus.

If all experience emerged as assumed every year, the DBS Program would have an Actuarial Surplus at the end of each year before any Additional Earnings Credits, assuming the Minimum Interest Rate is less than the assumed earnings rate. In order to retain an Actuarial Surplus, the investment returns over a long period of time must exceed the combination of the Minimum Interest Rates and the Additional Earnings Credits.

Although this relationship is projected to hold, there have been situations in the past, such as after the Great Recession of 2008, where investment performance for several prior years was below the Minimum Interest Rate and a UAO emerged.

Actuarial Gains and Losses

The Minimum Interest Rate for the year ending on the valuation date was 2.44%. Since the assumed total earnings rate last year was 7.00% per year, the increase in the Actuarial Obligation was less than projected. The total actuarial gain on the Actuarial Obligation, primarily due to interest credits being less than assumed, was \$420,757,000.

Last year, the assumed earnings rate on the invested assets was 7.00% per year. The actual return for the year was about 27.0% (net of investment and administrative expenses and assuming uniform cash flow through the year, which is slightly different than how interest is actually posted), which produced an investment gain of \$2,825,852,000.

The assumed earnings rate is 7.00% in all future years, as adopted by the board in February 2017 and re-adopted in January 2020.

The total actuarial gain due to all causes was \$3,246,609,000 as shown in **Table 4**.

Contributions and Normal Costs

Table 4 shows that the Normal Costs of the DBS Program are equal to the actual contributions. They are shown as the actual dollar amount of contributions. The timing in **Table 4** is therefore consistent with the fact that contributions are spread over the entire year and correspond to payroll timing. The total contributions of \$277,679,000 were made up of \$140,419,000 in member contributions and \$137,260,000 in employer contributions.

Gain and Loss Reserve

Table 5 shows the derivation of the Gain and Loss Reserve. After each actuarial valuation, the Teachers' Retirement Board decides on the adjustment to the prior year's Gain and Loss Reserve and the Additional Earnings Credits, if any.

This report assumes the Teachers' Retirement Board will allocate any unallocated gain or loss to funding after any Additional Earnings Credits are adopted.

Additional Credits Based on Board Policy

Based on the board's policy, Additional Earnings Credits of \$1,302,720,000 may be granted as of June 30, 2021.

The board's policy calls for a two-step determination of the allocation.

The first step in the process allocates the excess of the Actuarial Surplus over 1 times the Standard Deviation of the Expected Long-Term Rate of Return on the investment portfolio, but limited by the long-term assumed rate of earnings.

First Allocation

Long-term Expected Net Investment Return	7.00%
Minimum Interest Rate (year prior to valuation)	<u>2.44</u>
Maximum Available in First Allocation (1)	4.56%
Actuarial Surplus	50.61%
First Threshold (1x Portfolio Std. Deviation)	13.10
Maximum credit such that resulting Funded Ratio is not less than 100% + Std. Deviation (2)	39.72%*
First Allocation [lesser of (1) and (2)]	4.56%
First Allocation Amount	\$449,690,000

* The result is not a simple subtraction of the Actuarial Surplus and the First Threshold, because the maximum credit is determined based on a division of the Actuarial Value of Assets and the Actuarial Obligation with the First Allocation.

The second step in the process allocates 50% of the remaining Actuarial Surplus over 2 times the Standard Deviation of the Expected Long-Term Rate of Return on the investment portfolio.

Second Allocation

Remaining Actuarial Surplus (3)	45.08%
Second Threshold (2 x Portfolio Std. Deviation) (4)	26.20
Target Second Threshold Surplus [Average of (3) and (4), but not less than Second Threshold]	35.64%
Available for Second Allocation	8.65%
Second Allocation Amount	\$853,030,000

The total available is the sum of the two steps, or 13.21% of the Actuarial Obligation for active and inactive member accounts as of June 30, 2021.

Details of the calculation are shown in **Table 6**.

Historical Information

A history of the DBS Program's cash flow and funded status are shown in **Tables 7 and 8**.

Supplemental Information

Supplemental information that is recommended to be disclosed by the California Actuarial Advisory Panel is shown in **Tables 9, 10, and 11**.

Table 1
Statement of Program Assets

<i>(\$ Thousands)</i>	June 30, 2021	June 30, 2020
Invested Assets		
Cash	\$ 8,113	\$ 9,295
Debt Securities	3,348,717	3,062,865
Equity Securities	8,508,085	6,555,927
Alternative Investments	6,204,778	4,771,979
Derivative Instruments	(3,270)	(3,772)
Securities Lending Collateral	1,365,655	1,380,728
Bond Proceeds Investment	11,905	16,747
Other Investments	<u>30,042</u>	<u>26,912</u>
Total Investments	\$ 19,474,025	\$ 15,820,681
Receivables	567,471	321,911
Liabilities	(2,316,248)	(1,959,337)
Valuation Adjustment (GASB Expenses)	<u>64,605</u>	<u>60,572</u>
Fair Market Value of Net Assets	\$ 17,789,853	\$ 14,243,827

Table 2
Statement of Change in Program Assets

<i>(\$ Thousands)</i>	Year Ended June 30, 2021	Year Ended June 30, 2020
Additions		
Contributions		
Members	\$ 140,419	\$ 139,771
Employers	<u>137,260</u>	<u>136,996</u>
Total Contributions	277,679	276,767
Net Earnings	<u>3,849,526</u>	<u>601,858</u>
Total Additions	\$ 4,127,205	\$ 878,625
Deductions		
Benefit Payments		
Retirement, Death and Survivor	\$ 526,748	\$ 487,832
Refunds of Member Contributions	<u>18,461</u>	<u>20,131</u>
Total Benefits	545,209	507,963
Expenses	<u>40,003</u>	<u>32,704</u>
Total Deductions	\$ 585,212	\$ 540,667
Net Increase (Decrease)	\$ 3,541,993	\$ 337,958
Fair Market Value of Net Assets		
Beginning of Year	\$ 14,243,827	\$ 13,904,497
Valuation Adjustment (GASB Expenses)	4,033	1,372
Adjustment for Prior Year		
Fair Value Accrual	0	0
Transfers In/(Out)	0	0
Net Increase (Decrease)	<u>3,541,993</u>	<u>337,958</u>
End of Year	\$ 17,789,853	\$ 14,243,827
Estimated Net Rate of Return	27.0%	4.1%
- assuming uniform cash flow through the year		
- net of investment and administrative expenses		

Table 3
Actuarial Balance Sheet

(\$ Thousands)

	June 30, 2021		June 30, 2020
	Without Additional Credits	With Additional Credits Adopted	
Total Requirements			
Actuarial Obligation			
Retirees and Beneficiaries	\$ 1,950,617	\$ 1,950,617	\$ 1,824,609
Inactive Members	906,526	*	845,823
Active Members	<u>8,955,093</u>	<u>*</u>	<u>9,021,051</u>
Total Requirements	\$ 11,812,236	\$ *	\$11,691,483
Total Resources			
Actuarial Value of Assets	\$ 17,789,853	\$ 17,789,853	\$14,243,827
Unfunded Actuarial Obligation or (Actuarial Surplus)	<u>(5,977,617)</u>	<u>*</u>	<u>(2,552,344)</u>
Total Resources	\$ 11,812,236	\$ *	\$11,691,483
Funded Ratio	150.61%	*	121.83%

* To be determined by the Teachers' Retirement Board.

Table 4
Actuarial Gains and Losses

<i>(\$ Thousands)</i>	Actuarial Obligation	Actuarial Value of Assets	Unfunded Actuarial Obligation / (Surplus)
Balance at June 30, 2020	\$ 11,691,483	\$ 14,243,827	\$ (2,552,344)
Expected Changes			
Actual Contributions/Normal Cost	277,679	277,679	0
Actual Benefits Paid	(545,209)	(545,209)	0
Expected Earnings / Credits	<u>809,040</u>	<u>987,704</u>	<u>(178,664)</u>
Expected Balance at June 30, 2021	\$ 12,232,993	\$ 14,964,001	\$ (2,731,008)
Actuarial Gains or Losses			
(Gain)/Loss on Actuarial Obligation	(420,757)		
Gain/(Loss) on Assets		2,825,852	
Assumption Change		0	
Net (Gain) or Loss on UAO	<u> </u>	<u> </u>	<u>3,246,609</u>
Actual Balance at June 30, 2021	\$ 11,812,236	\$ 17,789,853	\$ (5,977,617)

Table 5
Gain and Loss Reserve

(\$ Thousands)

	June 30, 2021		June 30, 2020
	Without Additional Credits	With Additional Credits Adopted	
Unfunded Actuarial Obligation or (Actuarial Surplus) (prior to any additional earnings credits)	\$ (5,977,617)	\$ (5,977,617)	\$ (2,920,879)
Additional Earnings Credits	<u>0</u>	<u>*</u>	<u>368,535</u>
Unfunded Actuarial Obligation or (Actuarial Surplus)	(5,977,617)	*	(2,552,344)
Gain and Loss Reserve			
Beginning of Year	\$ 2,552,344	\$ 2,552,344	\$ 2,778,453
Allocated to Funding	<u>3,425,273</u>	<u>*</u>	<u>(226,109)</u>
End of Year Gain and Loss Reserve	5,977,617	*	2,552,344
Unallocated Gains and (Losses)	\$ 0	\$ *	\$ 0

(\$ Thousands)

Valuation Date	Available Reserves and Unallocated Gains (Losses)	Additional Credits Adopted	Final Gain and Loss Reserve
June 30, 2008	\$ 8,769	\$ 0	\$ 8,769
June 30, 2009	(1,453,334)	0	(1,453,334)
June 30, 2010	(1,044,262)	0	(1,044,262)
June 30, 2011	281,195	0	281,195
June 30, 2012	50,527	0	50,527
June 30, 2013	788,028	295,872	492,156
June 30, 2014	1,820,201	347,846	1,472,355
June 30, 2015	1,711,825	324,216	1,387,609
June 30, 2016	1,138,769	0	1,138,769
June 30, 2017	2,224,206	356,926	1,867,280
June 30, 2018	2,599,246	393,843	2,205,403
June 30, 2019	2,778,453	0	2,778,453
June 30, 2020	2,920,879	368,535	2,552,344
June 30, 2021	5,977,617	*	*

* To be determined by the Teachers' Retirement Board.

Table 6
Additional Credits Based on Board Policy

	June 30, 2021	June 30, 2020
Funded Ratio before Additional Credits	150.61%	125.80%
Actuarial Surplus	50.61%	25.80%
First Threshold	13.10%	13.10%
Second Threshold	26.20%	26.20%
First Allocation		
Long-term Net Investment Return	7.00%	7.00%
Minimum Interest Rate (year prior to valuation)	<u>2.44</u>	<u>3.12</u>
Maximum Available in First Allocation (1)	4.56%	3.88%
First Threshold (1 x Std. Deviation of Portfolio Return)	13.10	13.10
Maximum credit such that resulting Funded Ratio is not less than 100% + Std. Deviation (2)	39.72%*	13.38%*
First Allocation [lesser of (1) and (2)]	4.56%	3.88%
<i>* The result is not a simple subtraction of the Actuarial Surplus and the First Threshold, because the maximum credit is determined based on a division of the Actuarial Value of Assets and the Actuarial Obligation with the First Allocation.</i>		
Second Allocation		
Remaining Actuarial Surplus after First Allocation	\$5,527,927	\$2,552,343
Total Actuarial Obligation after First Allocation	\$12,261,926	\$11,691,484
Remaining Actuarial Surplus % (3)	45.08%	21.83%
Second Threshold (2 x Std. Deviation of Portfolio Return) (4)	26.20%	26.20%
Target Second Threshold Surplus [Average of (3) and (4), but not less than Second Threshold]	35.64%	26.20%
Maximum Credit to meet Target Surplus	\$853,467	\$0
Non-Retired Actuarial Obligation	\$9,861,619	\$9,498,339
Available for Second Allocation	8.65%	0.00%
Additional Earnings Credits based on Board Policy		
As a percentage of Actuarial Obligation (actives and inactives only) as of the valuation date	13.21%	3.88%
As a dollar amount (\$ Thousands)	\$1,302,720	\$368,535

Table 7
History of Cash Flow

(\$ Thousands)

Year End	Contributions for the Year	Expenditures During the Year				External Cash Flow	Fair Market Value of Assets
		Benefit Payments	Contribution Refunds	Expenses	Total		
2002	\$ 487,185	\$ 0	\$ 4,982	\$ 255	\$ 5,237	\$ 481,948	\$ 660,148
2003	604,853	0	17,102	580	17,682	587,171	1,311,269
2004	691,081	41,991	3,078	1,206	46,275	644,806	2,203,682
2005	669,706	75,426	8,599	1,740	85,765	583,941	3,023,177
2006	703,104	97,997	14,032	1,952	113,981	589,123	3,951,327
2007	749,844	97,221	18,026	2,464	117,711	632,133	5,381,585
2008	802,380	139,435	17,716	2,903	160,054	642,326	5,636,113
2009	822,010	156,458	29,823	3,385	189,666	632,344	5,145,981
2010	796,743	223,733	13,673	6,113	243,519	553,224	6,412,180
2011	410,820	249,949	25,956	6,140	282,045	128,775	8,054,962
2012	102,570	223,411	24,436	6,886	254,733	(152,163)	8,042,090
2013	160,771	279,284	25,131	7,568	311,983	(151,212)	8,983,919
2014	159,663	300,031	23,960	8,385	332,376	(172,713)	10,493,062
2015	216,128	300,058	19,473	8,145	327,676	(111,548)	10,940,917
2016	251,393	332,845	19,761	11,243	363,849	(112,456)	10,943,296
2017	263,200	383,828	20,909	11,680	416,417	(153,217)	12,269,382
2018	282,377	397,635	21,453	12,007	431,095	(148,718)	13,173,522
2019	284,587	454,261	20,924	37,453	512,638	(228,051)	13,904,497
2020	276,767	487,832	20,131	32,704	540,667	(263,900)	14,243,827
2021	277,679	526,748	18,461	40,003	585,212	(307,533)	17,789,853

Table 8
Schedule of Funding Progress

(\$ Thousands)

Year End	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio Assets/AAL	Estimated Covered Payroll	Coverage Ratio UAAL/Pay
2002	\$ 660,148	\$ 711,440	\$ 51,292	93%	\$ 21,732,000	0%
2003	1,311,269	1,358,635	47,366	97%	22,654,000	0%
2004	2,203,682	2,035,052	(168,630)	108%	22,589,000	(1)%
2005	3,023,177	2,756,199	(266,978)	110%	23,257,000	(1)%
2006	3,951,327	3,616,259	(335,068)	109%	24,240,000	(1)%
2007	5,381,585	4,622,046	(759,539)	116%	25,906,000	(3)%
2008	5,636,113	5,627,344	(8,769)	100%	27,118,000	0%
2009	5,145,981	6,599,315	1,453,334	78%	27,327,000	5%
2010	6,412,180	7,456,442	1,044,262	86%	26,274,000	4%
2011	8,054,962	7,773,767	(281,195)	104%	25,536,000	(1)%
2012	8,042,090	7,991,563	(50,527)	100%	25,091,000	(0)%
2013	8,983,919	8,491,763	(492,156)	106%	24,994,000	(2)%
2014	10,493,062	9,020,707	(1,472,355)	116%	25,805,000	(6)%
2015	10,940,917	9,553,308	(1,387,609)	115%	27,143,000	(5)%
2016	10,943,296	9,804,527	(1,138,769)	112%	28,788,000*	(4)%
2017	12,269,382	10,402,102	(1,867,280)	118%	29,971,000*	(6)%
2018	13,173,522	10,968,119	(2,205,403)	120%	30,650,000*	(7)%
2019	13,904,497	11,126,044	(2,778,453)	125%	31,501,000*	(9)%
2020	14,243,827	11,691,483	(2,552,344)	122%	32,450,000*	(8)%
2021	17,789,853	**	**	**	32,740,000*	**

* Covered payroll estimated for active members with a non-zero DBS account.

** To be determined by the Teachers' Retirement Board.

Table 9
Reconciliation of Changes in Unfunded Actuarial Obligation

(\$ Thousands)

Year End	Beginning of Year UAO	Expected Earnings/Credits	(G)/L on Actuarial Obligation	(G)/L on Assets	Additional Credits	End of Year UAO
2011	\$ 1,044,262	\$ 75,709	\$ (363,073)*	\$ (1,038,093)	\$ 0	(281,195)
2012	(281,195)	(21,089)	(214,512)	466,269	0	(50,527)
2013	(50,527)	(3,789)	(246,009)	(487,703)	295,872	(492,156)
2014	(492,156)	(36,912)	(285,294)	(1,005,839)	347,846	(1,472,355)
2015	(1,472,355)	(110,427)	(360,887)	231,844	324,216	(1,387,609)
2016	(1,387,609)	(104,070)	(360,271)*	713,181	0	(1,138,769)
2017	(1,138,769)	(82,561)	(323,511)*	(679,365)	356,926	(1,867,280)
2018	(1,867,280)	(130,710)	(414,477)	(186,779)	393,843	(2,205,403)
2019	(2,205,403)	(154,379)	(412,574)	6,097*	0	(2,778,453)
2020	(2,778,453)	(194,492)	(342,631)	394,697	368,535	(2,552,344)
2021	(2,552,344)	(178,664)	(420,757)	(2,825,852)	**	**

* Includes impact of changes in assumptions and methods.

** To be determined by the Teachers' Retirement Board.

Table 10
Changes in Economic Assumptions

Year	Price Inflation	Wage Inflation	Investment Return
2011	3.00%	3.75%	7.50%
2012	3.00%	3.75%	7.50%
2013	3.00%	3.75%	7.50%
2014	3.00%	3.75%	7.50%
2015	3.00%	3.75%	7.50%
2016	2.75%	3.50%	7.25%
2017	2.75%	3.50%	7.00%
2018	2.75%	3.50%	7.00%
2019	2.75%	3.50%	7.00%
2020	2.75%	3.50%	7.00%
2021	2.75%	3.50%	7.00%

Table 11
Smoothing and Volatility Ratios

Year	Asset Smoothing Ratio AVA/MVA	Asset Volatility Ratio MVA/Payroll	Liability Volatility Ratio AAL/Payroll
2002	100%	3.0%	3.3%
2003	100%	5.8%	6.0%
2004	100%	9.8%	9.0%
2005	100%	13.0%	11.9%
2006	100%	16.3%	14.9%
2007	100%	20.8%	17.8%
2008	100%	20.8%	20.8%
2009	100%	18.8%	24.1%
2010	100%	24.4%	28.4%
2011	100%	31.5%	30.4%
2012	100%	32.1%	31.9%
2013	100%	35.9%	34.0%
2014	100%	40.7%	35.0%
2015	100%	40.3%	35.2%
2016	100%	38.0%	34.1%
2017	100%	40.9%	34.7%
2018	100%	43.0%	35.8%
2019	100%	44.1%	35.3%
2020	100%	43.9%	36.0%
2021	100%	54.3%	*

** To be determined by the Teachers' Retirement Board.*

3. Risk Disclosures

The results of any actuarial valuation are based on a set of assumptions. Although we believe the current assumptions provide a reasonable estimate of future expectations, it is almost certain that future experience will differ from the assumptions to some extent. The following is a general discussion of the potential risks to the DBS Program funding and is not intended to be a comprehensive analysis of all potential risks.

Factors Affecting Future Results

There are a number of factors that affect future valuation results. To the extent actual experience for these factors varies from the assumptions, this will likely cause either increases or decreases in the plan's future funding level. Examples of factors that can have a significant impact on valuation results are:

- Investment return
- Payroll variation
- Salary variation
- Mortality (how long retirees live)
- Service retirement
- Termination (members leaving active employment for reasons other than death, disability, or service retirement)
- Contribution limitations. There is no dedicated funding if a deficit develops between the Program's assets and the value of future benefits.

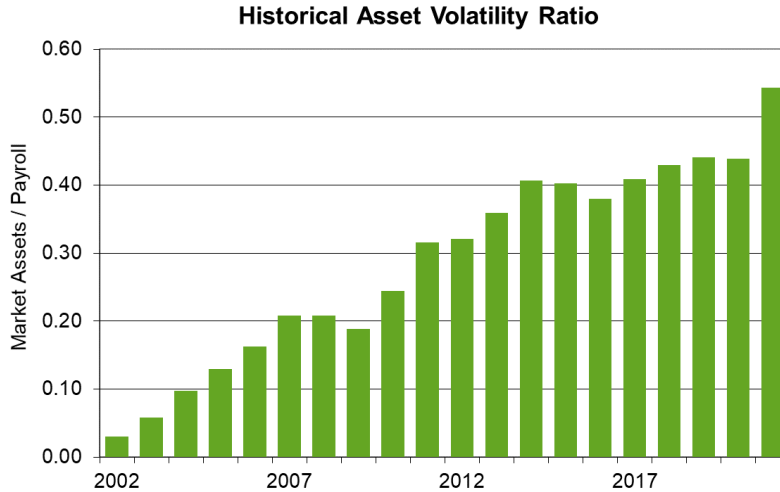
Of these factors, we believe the factor with the greatest potential risk is future investment returns. As an example of these risks, if actual investment returns fall materially short of the current assumption of 7.00% per year, this will cause a decrease in the Funded Ratio for the DBS Program, all other things being equal. Although, the DBS Program currently has a Funded Ratio of approximately 151%, if Additional Earnings Credits are adopted for this year and the Fiscal Year 2021-2022 return is -23% or less, the Funded Ratio would be projected to be less than 100% next year and a deficit would emerge.

Maturity Risk

The magnitude of any contribution rate increase needed to make up any funding deficit (if one were to occur) is affected by the Program's maturity level. As the DBS Program becomes more mature (i.e., the number of retirees grows compared to the number of actives, and the accumulated assets grow compared to payroll), it becomes more difficult to emerge from a deficit position (if one were to occur in the future). One indicator of this maturity is the Asset Volatility Ratio (AVR), which is equal to the Fair Market Value of Assets divided by total payroll. The AVR is a current measure since it is based on the current level of assets and will vary from year to year.

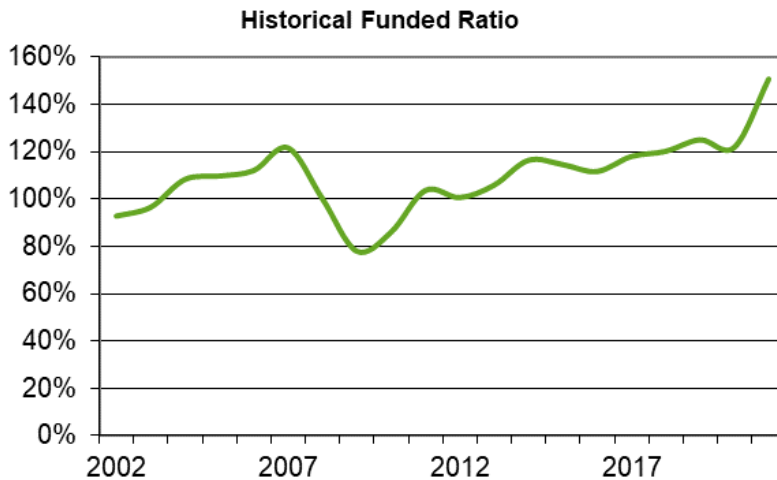
For the DBS Program, the current AVR is equal to 0.53. This means that for each 1% asset loss (in relation to the assumed investment return), there would need to be an increase in contributions equivalent to 0.53% of one-year's payroll to make up for this loss. However, this type of contribution increase would only be needed if the DBS Program were to move to a deficit position. It should be noted that there is no current mechanism to provide deficit reduction contributions to the DBS Program. Additionally, the DBS Program interest credit rates have historically been less than the assumed investment return, so it is possible the DBS Program could emerge from a deficit position without additional contributions.

The following graph shows how the DBS Program has matured over the last 20 years. Over the last several years, increases in the AVR had somewhat leveled off although there was a large increase this year due to the significant increase in the market value of assets.



Historical Measures

One way to assess future risks is to look at historical measurements. The following graph shows how the DBS Program Funded Ratio has varied over the last 20 years. In particular, it reflects the significant impact that investment returns can have. The DBS Program had a Funded Ratio over 120% in 2007, but decreased to less than 80% in two years. The Funded Ratio has since recovered primarily due to strong returns. Note that the 2021 Funded Ratio excludes additional earnings credits.



Appendix A Provisions of Governing Law

All of the actuarial calculations contained in this report are based upon our understanding of the Defined Benefit Supplement (DBS) Program of the State Teachers' Retirement System as contained in Part 13 of the California Education Code. The provisions used in this valuation are summarized below for reference purposes.

Membership

Eligibility Requirement: All members of the Defined Benefit Program who perform creditable service and earn creditable compensation after December 31, 2000.

Member: An eligible employee with creditable service subject to coverage in the DBS Program.

Account Balance

Account Balance: Nominal accounts established for the purpose of determining benefits payable to the Member. Accounts are credited with Contributions, a Minimum Interest Rate and Additional Earnings Credits.

Contributions: One-quarter (2% of compensation) of the DB Program Member contributions on creditable compensation was allocated to the Member's DBS Account through December 31, 2010.

Member and employer contributions will be credited to the Member's DBS Account for creditable compensation that is not credited to the DB Program.

Minimum Interest Rate: Annual rate determined for the plan year by the board in accordance with federal laws and regulations. The Minimum Interest Rate is equal to the average of the yields on 30-year Treasuries for the 12 months ending in February preceding the beginning of the plan year, rounded to the next highest 0.01%.

Additional Earnings Credits: Annual rate determined for the plan year by the board pursuant to earnings credit policy adopted at the April 2015 meeting.

Additional Annuity Credit: No longer applies, per the board annuity credit policy adopted at the April 2015 meeting.

Normal Retirement

Eligibility Requirement: Receipt of a corresponding benefit under the DB Program.

Benefit: The DBS Account Balance at the benefit effective date subject to limits imposed under Internal Revenue Code Section 415.

Form of Payment: The normal form of payment is a lump sum distribution. Annuity options are available if the DBS Account equals or exceeds \$3,500.

Early Retirement

Eligibility Requirement: Same as Normal Retirement.

Benefit and Form: Same as Normal Retirement.

Late Retirement

Benefit and Form: Same as Normal Retirement.

Contributions and earnings continue to be credited to the Account Balances until distributed.

Deferred Retirement

Benefit: A Member must receive a DBS benefit when the corresponding benefit is received under the DB Program.

Disability Benefit

Eligibility Requirement: Receipt of a corresponding benefit under the DB Program.

Benefit: The DBS Account Balance at the date the disability benefit becomes payable. An annuity benefit is discontinued upon the termination of the corresponding DB Program benefit. The actuarial equivalent of the Participant's annuity as of the date creditable service is resumed is credited to the Participant's Account Balance.

Form of Payment: Same as Normal Retirement.

Death before Retirement

Eligibility Requirement: Deceased Member has a DBS Account Balance.

Benefit: The DBS Account Balance at the date of death, plus minimum interest credited through the date of payment, payable to the designated beneficiary.

Form of Payment: Same as Normal Retirement, except annuity options are limited to a Period Certain Annuity.

Death after Retirement

Eligibility Requirement: The deceased Member was receiving an annuity.

Benefit: According to the terms of the annuity elected by the Member.

Termination from the Program

Eligibility Requirement: Termination of all CalSTRS-covered employment.

Benefit: Lump-sum distribution of the DBS Account Balance as of the date of distribution. The benefit is payable six months from the termination of creditable service.

Appendix B Actuarial Methods and Assumptions

This section of the report discloses the actuarial methods and assumptions used in this Actuarial Valuation. These methods and assumptions have been chosen on the basis of recent experience of the DBS Program and on current expectations as to future economic conditions. The assumptions were reviewed and changed for the June 30, 2019 Actuarial Valuation as a result of the 2020 Experience Analysis. Please refer to that Experience Analysis report dated January 14, 2020 for the data and rationale used in the selection and recommendation of each assumption.

The assumptions are intended to estimate the future experience of the members of the DBS Program and of the DBS Program itself in areas that affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in estimated costs of the DBS Program's benefits.

Actuarial Cost Method

The accruing costs of all benefits are measured by the Traditional Unit Credit Actuarial Cost Method. Under this method, the projected benefits of each individual member are allocated by a consistent formula to valuation years. The actuarial present value of future projected benefits allocated to the current year is called the Normal Cost. The actuarial present value of future projected benefits allocated to periods prior to the valuation year is called the Actuarial Obligation.

The Actuarial Obligation is equal to the accumulated account balances and the Normal Cost is equal to the total annual contribution.

Asset Valuation Method

The assets are valued at Fair Market Value. The Fair Market Value excludes the liability for "Net Pension and OPEB Obligation," which are pre-recognized administrative expenses, from the Fiduciary Net Position reported for accounting purposes.

Actuarial Assumptions

The Actuarial Standards Board has adopted Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. This Standard provides guidance on selecting economic assumptions under defined benefit retirement programs such as the System. In our opinion, the economic assumptions have been developed in accordance with the Standard.

The Actuarial Standards Board has adopted Actuarial Standard of Practice No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*. This Standard provides guidance on selecting demographic assumptions under defined benefit retirement programs such as the System. In our opinion, the demographic assumptions have been developed in accordance with the Standard.

The assumptions are intended to estimate the future experience of the members of the DBS Program and of the System itself in areas that affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in estimated costs of the Program's benefits.

The demographic assumptions are listed in **Table B.1** and illustrated at selected ages and duration combinations in **Table B.2**.

Table B.1
List of Major Valuation Assumptions

Economic Assumptions

Investment Return (net of investment and administrative expenses)	7.00%
Interest on Member Accounts	7.00%
Wage Growth	3.50%
Inflation	2.75%
Standard Deviation of Portfolio	13.10%

Demographic Assumptions

Mortality⁽¹⁾

Retired & Beneficiary - Male	2019 CalSTRS Service Retired Male	Table A-3.2
Retired & Beneficiary - Female	2019 CalSTRS Service Retired Female	Table A-3.2
Disabled - Male	2019 CalSTRS Disabled Retiree Male	Table A-3.2
Disabled - Female	2019 CalSTRS Disabled Retiree Female (select rates in first three years for both Males and Females)	Table A-3.2

1. The mortality assumption uses a generational mortality approach with a base year of 2019. Projected improvement is based on 110% of the MP-2019 Ultimate Projection Scale. The combined base tables and projection scale specified contain a margin for expected future mortality improvement.

Note: Assumptions for active and inactive members do not apply to the DBS Program valuation, as each active and inactive member's liabilities are equal to the member's account balance.

Table B.2
Mortality as of June 30, 2021

Age	Retired Members and Beneficiaries ⁽¹⁾		Disabled Members (After Year 3) ⁽¹⁾	
	Male	Female	Male	Female
50	0.230%	0.128%	1.768%	0.998%
55	0.339	0.202	2.056	1.249
60	0.454	0.268	2.331	1.474
65	0.645	0.404	2.713	1.761
70	1.033	0.666	3.364	2.286
75	1.853	1.225	4.436	3.253
80	3.399	2.348	6.142	4.818
85	6.536	4.684	8.922	7.159
90	12.631	9.548	13.558	10.600
95	21.628	17.929	20.312	15.721

Select minimum rates for disability:

First year of disability	4.0%	3.0%
Second year of disability	3.5	2.5
Third year of disability	3.0	2.0

1. The mortality assumption uses a generational mortality approach with a base year of 2019. Projected improvement is based on 110% of the MP-2019 Ultimate Projection Scale. The rates shown reflect mortality improvement through June 30, 2021. The projection scale does not apply to the select minimum rates.

Appendix C Valuation Data

The membership data for this actuarial valuation was supplied by CalSTRS. Although we did not audit this data, we compared the data for this and the prior valuation and tested for reasonableness, as well as for consistency with prior periodic reports from the CalSTRS staff. Based on these tests, we believe the data to be sufficiently accurate for the purposes of this valuation. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is materially inaccurate or incomplete, our calculations may need to be revised.

Tables C.1 through **C.4** summarize the census data used in this valuation.

Table C.1
Summary of Statistical Information

	June 30, 2021	June 30, 2020
Number of Members⁽¹⁾		
Active Members	429,681	448,419
Inactive Members	146,396	138,689
Retirees and Beneficiaries	<u>77,369</u>	<u>74,312</u>
Total Membership in Valuation	653,446	661,420
Active Members Statistics⁽¹⁾		
Earned Salaries (\$ millions)	\$ 33,914	\$ 33,811
Average Salary	\$ 78,928	\$ 75,401
Average Age	45.4 years	45.3 years
Average Service	12.9 years	12.4 years

1. Active member statistics include all active members in the DB Program, as they are eligible to participate in the DBS Program. Inactive and annuitant counts only include those with non-zero DBS Program account balances and monthly benefits, respectively.

Table C.2
Age and Service Distribution – All Active Members

Age	Total					
	Years of Service					
	1 & Under	Greater than 1 & Under 5	5-9	10-14	15-19	20-24
Less than 25	3,763	1,709	1	0	0	0
25 to 30	7,919	22,460	4,346	0	0	0
30 to 35	4,364	19,067	22,307	1,729	1	0
35 to 40	3,071	11,879	19,155	16,802	3,448	3
40 to 45	2,606	8,816	12,131	15,533	22,497	3,711
45 to 50	1,909	6,579	8,677	9,309	17,380	22,874
50 to 55	1,524	5,132	6,762	7,156	11,486	19,248
55 to 60	947	3,420	4,328	4,633	7,291	10,518
60 to 65	553	2,117	2,668	2,942	4,656	5,783
65 to 70	275	1,094	1,228	1,181	1,771	2,005
70 and over	154	676	628	542	641	680
Total	27,085	82,949	82,231	59,827	69,171	64,822

Age	Years of Service					Total
	25-29	30-34	35-39	40-44	45 & Over	
Less than 25	0	0	0	0	0	5,473
25 to 30	0	0	0	0	0	34,725
30 to 35	0	0	0	0	0	47,468
35 to 40	0	0	0	0	0	54,358
40 to 45	9	0	0	0	0	65,303
45 to 50	1,819	6	0	0	0	68,553
50 to 55	12,359	1,184	6	0	0	64,857
55 to 60	8,992	7,229	662	1	0	48,021
60 to 65	3,953	2,906	1,310	53	0	26,941
65 to 70	1,020	636	276	140	21	9,647
70 and over	392	267	138	98	119	4,335
Total	28,544	12,228	2,392	292	140	429,681

**Table C.3
 Inactive Members**

Fiscal Year Ending June 30	Number	Account Balances⁽¹⁾
2011	121,653	\$356,289,000
2012	127,763	403,271,000
2013	130,776	444,279,000
2014	129,961	468,268,000
2015	129,698	496,059,000
2016	130,456	525,465,000
2017	131,823	551,790,000
2018	133,413	576,987,000
2019	135,579	608,705,000
2020	138,689	645,817,000
2021	146,396	694,450,000

1. Member counts and balances as shown in CalSTRS Overview. Does not include Additional Earnings Credits for given year.

**Table C.4
 Annuitants**

Fiscal Year Ending June 30	Number	Accounts at Retirement
2011	36,066	\$627,629,000
2012	41,991	783,543,000
2013	46,927	926,192,000
2014	50,852	1,042,152,000
2015	54,742	1,163,868,000
2016	58,880	1,305,902,000
2017	63,416	1,472,730,000
2018	67,918	1,641,958,000
2019	71,408	1,783,925,000
2020	74,312	1,910,776,000
2021	77,369	2,041,459,000

Appendix D Glossary

The following definitions are largely excerpts from a list adopted by the major actuarial organizations in the United States. In some cases, the definitions have been modified for specific applicability to the CalSTRS DBS Program. Defined terms are capitalized throughout this Appendix.

Account Balance

The nominal account amount of an individual's benefit as of a specific date, determined in accordance with the terms of the Plan. The Account Balance is accumulated with contributions and interest.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as mortality, withdrawal, disablement and retirement, changes in compensation, rates of investment earnings and asset appreciation or depreciation, and procedures used to determine other relevant items.

Actuarial Cost Method

A procedure for determining the Actuarial Present Value of pension plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Obligation.

Actuarial Equivalent

Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Actuarial Gain or Loss

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions during the period between two actuarial valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Actuarial Obligation

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.

Actuarial Present Value

The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Actuarial Surplus

The excess, if any, of the Actuarial Value of Assets over the Actuarial Obligation.

Actuarial Valuation

The determination, as of a Valuation Date, of the Normal Cost, Actuarial Obligation, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

Actuarial Value of Assets

The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation.

Normal Cost

The Actuarial Present Value of benefits expected to accrue in the plan year subsequent to the valuation date. The Normal Cost is equivalent to the expected Member and Employer contributions for the next year.

Traditional Unit Credit Actuarial Cost Method

A method under which the Actuarial Obligation is equal to the Actuarial Present Value of benefits for service accrued to the valuation date.

Unfunded Actuarial Obligation

The excess, if any, of the Actuarial Obligation over the Actuarial Value of Assets.

Valuation Date

June 30, 2021.