



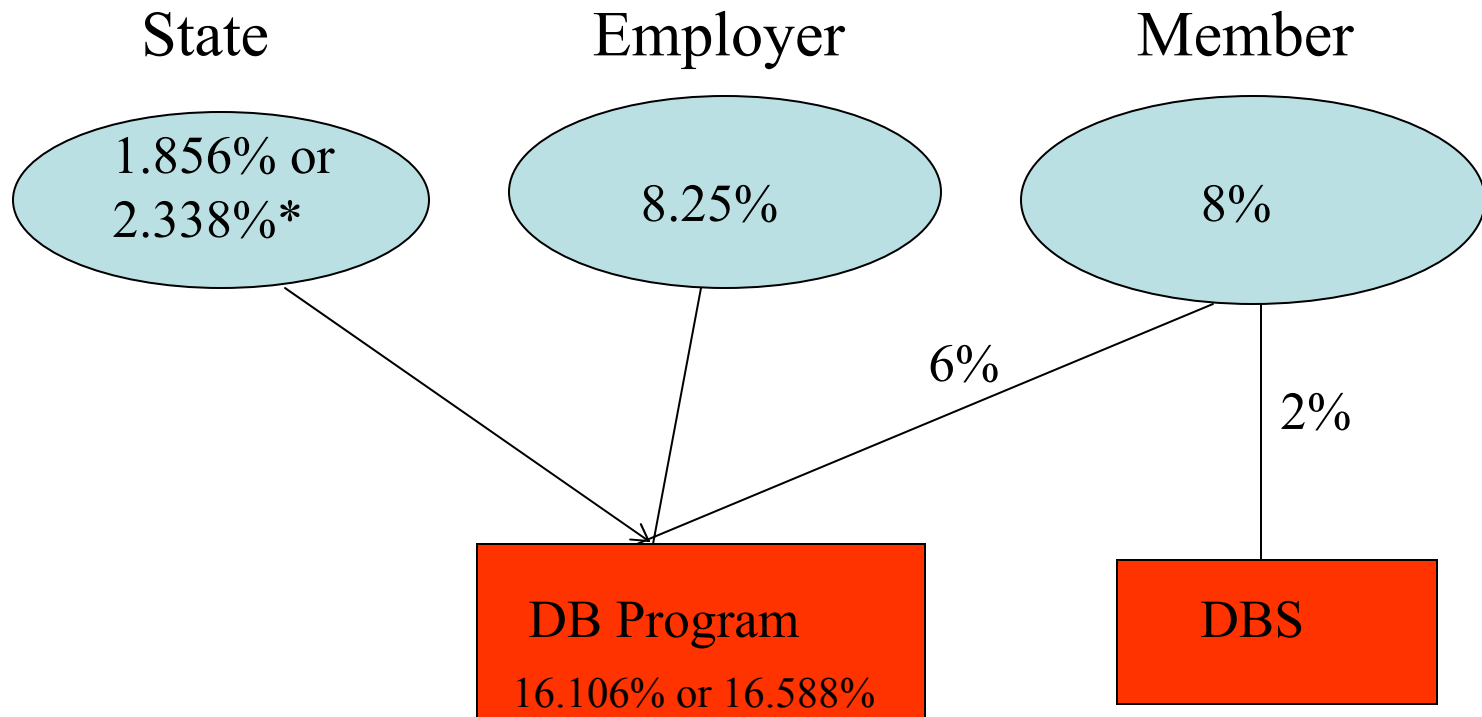
CALSTRS

California State Teachers'
Retirement System

BUDGET PROPOSAL ON DB PROGRAM CONTRIBUTIONS



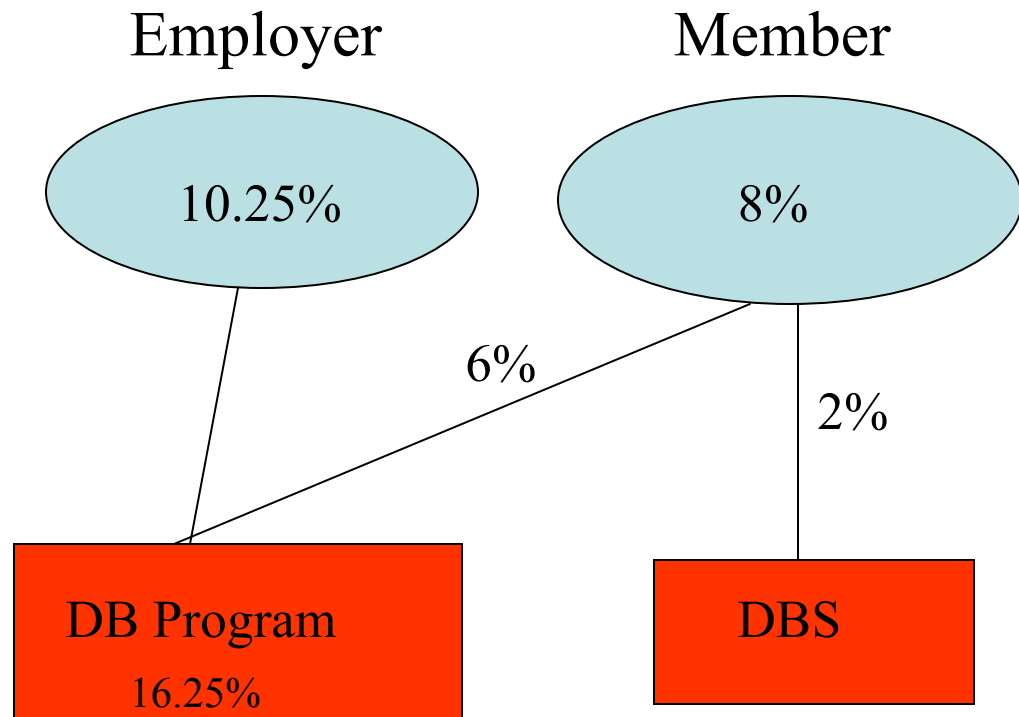
CURRENT FUNDING STRUCTURE



*Actuarial equivalent of General Fund contribution of 2.017% plus additional 0.524%

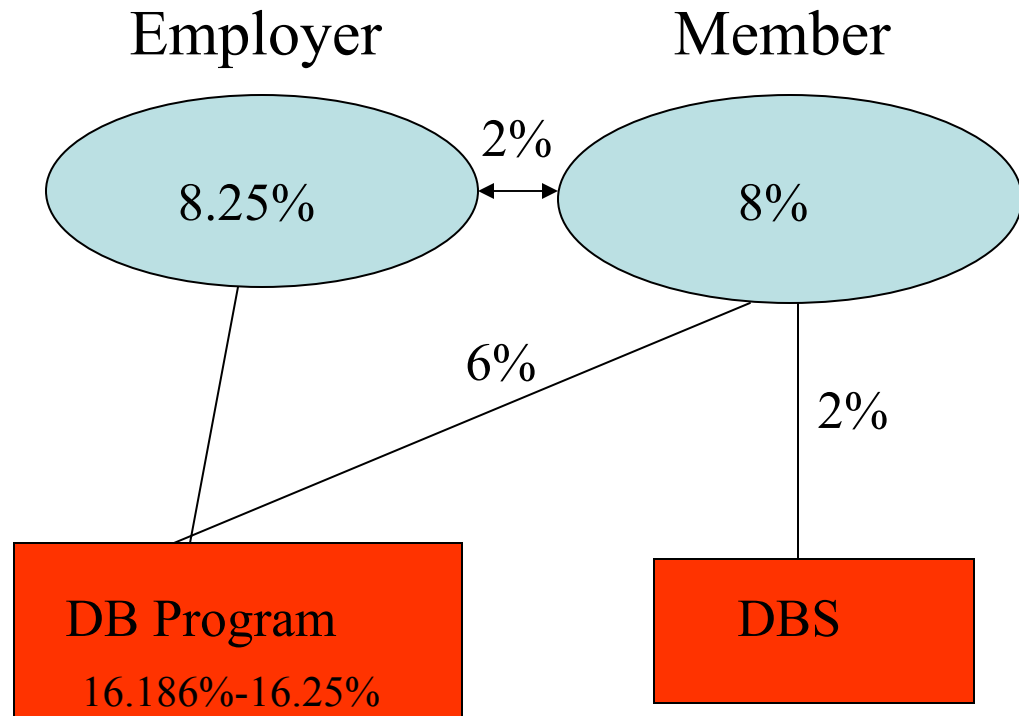


GENERAL FUND CONTRIBUTION SHIFTED TO EMPLOYER



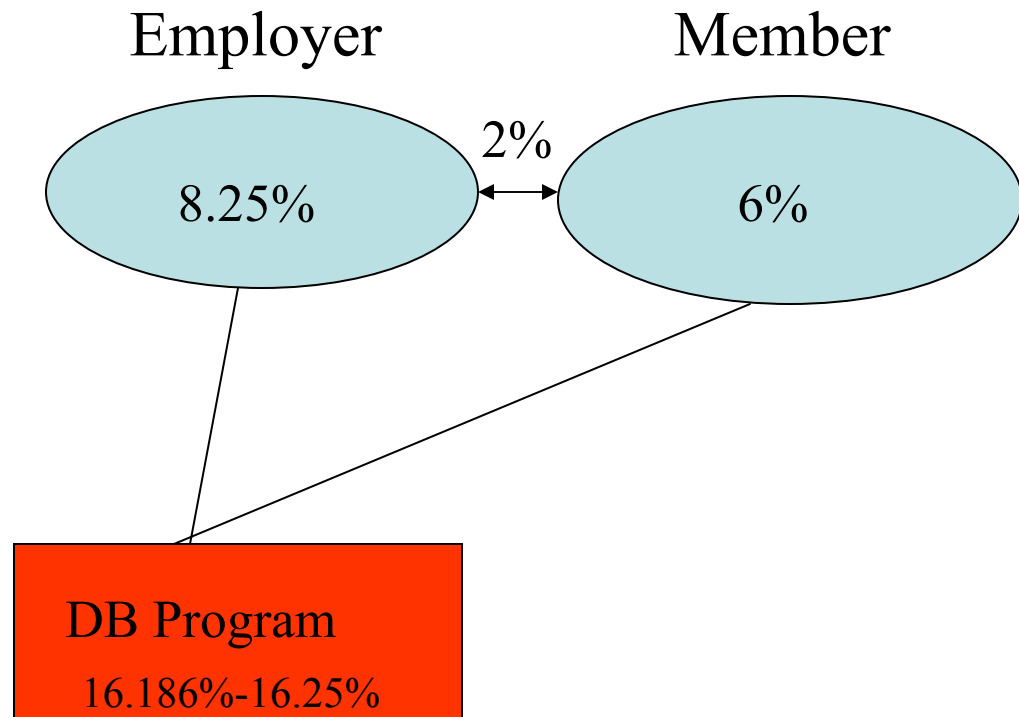


EMPLOYER NEGOTIATES SHARING OF 2% INCREASE



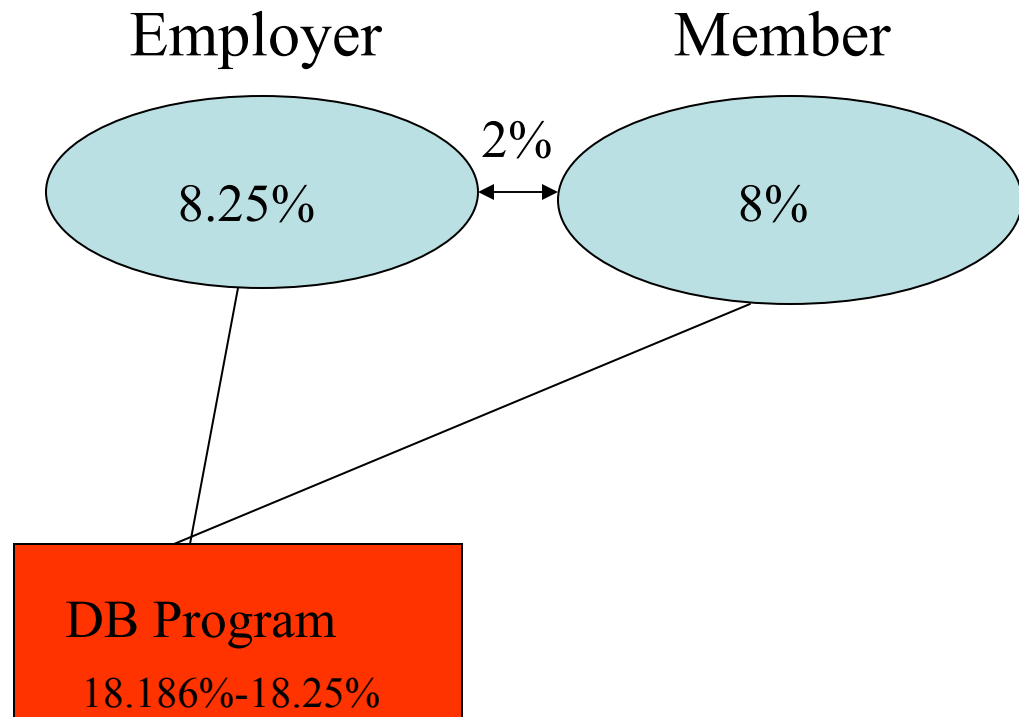


MEMBER ELIMINATES DBS CONTRIBUTION





CONTRIBUTION RATES AFTER 2010





History Of General Fund And Employer Contributions

- 1913—State begins annual contribution to new teacher pension program equal to 5 percent of inheritance tax revenue
- 1935— Employers begin \$12 annual contribution per employee
- 1944—State contribution changed to pay difference between contributions and current pension payments



History Of General Fund And Employer Contributions

- 1956—Employer contribution increased by up to 3 percent of pay
- 1972—State contribution changed to \$135 million annually for 30 years. Employer contribution changed to 3.2 percent of pay in 1972-73, increasing 0.8 percent annually through 1977-78 to 8 percent of pay



History Of General Fund And Employer Contributions

- 1976—State appropriation increased by \$9.3 million annually (to a total of \$144.3 million) for 28 years
- 1979—State's limited term appropriation changed to permanent contribution of \$144.3 million annually, adjusted for California CPI, plus additional increasing amount also indexed to California CPI beginning in 1994-95



History Of General Fund And Employer Contributions

- 1985—0.25 percent General Fund appropriation to pay for unused sick leave conversion to service credit
- 1989—General Fund annual contribution of 2.5 percent to fund purchasing power benefits



History Of General Fund And Employer Contributions

- 1990—General Fund appropriation suspended for 1 year and replaced with 4.3 percent annual contribution, which would decline by 0.25 percent annually once fully funded. 0.25 percent unused sick leave contribution shifted to employers



History Of General Fund And Employer Contributions

- 1998—4.3 percent General Fund contribution suspended for 1 year and replaced with 3.102 percent permanent contribution, plus additional 0.524 percent contribution if pre-1990 benefits under-funded. Reduction enacted as part of benefit enhancement package



History Of General Fund And Employer Contributions

- 2000—General Fund contribution reduced to current level over 3 years. Reduction enacted as part of benefit enhancement package



Potential Issues with Budget Proposal

- Funding issues
- Contractual issues
 - Increase in existing member's contribution
 - Decrease in future accrual of DBS benefits
- Administrative issues
 - Variance in contribution rates by district
 - Variance in contribution rate to DBS by member



Staff Recommendation

- Recommend opposition to proposal
 - Potentially worsens funding condition of DB Program
 - Potentially impairs contractual rights of existing members
 - Poses severe administrative burden on employers, county offices and CalSTRS to administer benefit program

California State Teachers' Retirement System

CALSTRS

HOW WILL YOU SPEND YOUR FUTURE?

*Securing the financial future
and sustaining the trust of California's educators.*